

A black and white photograph of an industrial facility, likely a refinery or chemical plant, featuring several tall distillation columns and a complex network of pipes and structural steel. The image is partially obscured by a large red geometric shape on the left side of the cover.

# 2020 ANNUAL REPORT

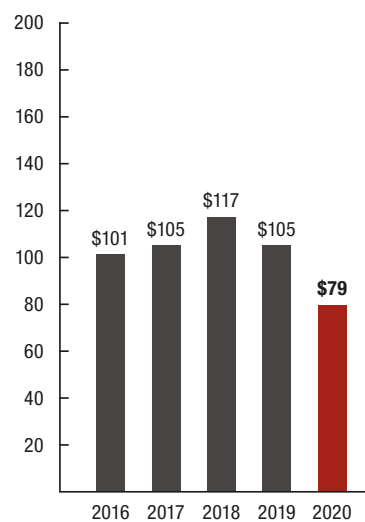


SUPERIOR CHEMISTRY, SUSTAINABLE FUELS

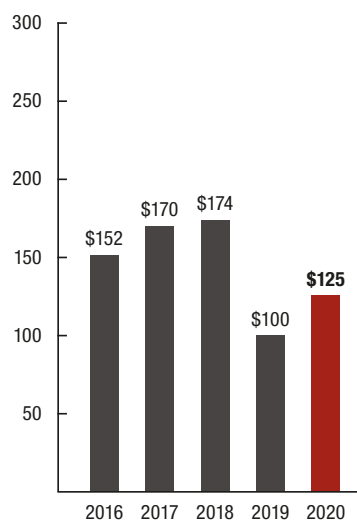


## FINANCIAL HIGHLIGHTS

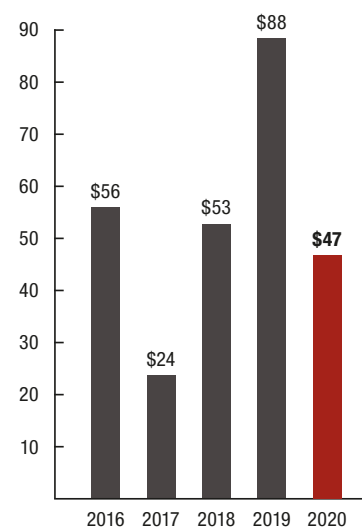
(Dollars in millions)



Chemicals Segment Revenue



Biofuels Segment Revenue



Consolidated Net Income

A black and white photograph of an industrial facility, likely a refinery or chemical plant, with various pipes, tanks, and structures. The image is partially obscured by a large red geometric shape on the left side of the page.

## TO OUR SHAREHOLDERS

At the end of a year defined by the unique challenges of a global pandemic, we are pleased that FutureFuel Corp. was able to deliver \$46.6 million of net income. Our Biodiesel operation benefited from the certainty of the Blenders' Tax Credit being in place from the beginning of 2020 and we set record-breaking production volumes at our plant. It was even more significant that we achieved this milestone while adapting to the impact of the COVID-19 pandemic on our operation and the consequent disruptions to our feedstock supply chain. The diversity of our business model again proved to be valuable as the impact of the pandemic on the economy reduced demand in our chemical segment. We adjusted our operation accordingly and are now well positioned to take advantage of fresh opportunities during the year ahead.

### 2020 Financial Highlights

*(all comparisons are with the year ended December 31, 2019)*

- Revenues were \$204.5 million, down 0.4% from \$205.2 million
- Adjusted EBITDA was \$29.2 million, down 62.9% from \$78.7 million
- Net income decreased to \$46.6 million, or \$1.06 per diluted share, from \$88.2 million, or \$2.02 per diluted share

Chemical sales revenue decreased 24.5% or \$25.6 million in 2020 compared with 2019. Sales revenue for our custom chemicals product line (chemicals produced for specific customers) totaled \$63.9 million, a decrease of \$27.1 million from 2019. This decrease was primarily attributed to i) an agrochemical product we no longer manufacture of \$15.3 million; ii) a slowdown in near-term business in both automotive and energy related applications resulting from COVID-19 of approximately \$8.0 million; and iii) the phase out of a laundry detergent additive of \$6.9 million. Partially offsetting these declines was the contract revenue of \$2.9 million from a custom chemical contract which expired (see Note 2 of the consolidated financial statements). Performance chemicals revenue (comprised of multi-customer products which are sold based on specification) was \$15.3 million in 2020, an increase of \$1.4 million from 2019. This increase resulted from increased sales volumes of glycerin and was partially offset by reduced sales volumes of our polymer modifier, primarily from COVID-19.

Gross profit for the chemicals segment was \$25.5 million, a decrease of 14.7% or \$4.4 million in 2020 compared with 2019. This decrease resulted primarily from volume effects resulting from COVID-19 and the absence of an herbicide intermediate product we no longer make. Partially offsetting the decrease was the benefit of the recognition of contract revenue of \$2.9 million related to a custom contract that was not renewed at the end of 2020.



Biofuels sales revenue was \$125.3 million, an increase of 24.8% or \$24.9 million in 2020 compared to 2019. Sales volumes improved on greater availability of feedstocks with the BTC in law during 2020. Revenue was also improved by the reduction of rebates to customers (shown as a price effect) of \$2.0 million in 2020 as compared to \$39.4 million in 2019 (see Note 3 of the consolidated financial statements for further information).

Biofuels gross profit decreased \$38.4 million in 2020 compared to 2019. Gross profit in 2019 was benefited by the recognition of the 2018 BTC for \$31.3 million (which was retroactively reinstated on December 20, 2019). See Note 3 of the consolidated financial statements for additional discussion. Gross profit was also unfavorably impacted by lower margins from COVID-19 in 2020 as compared to 2019. Partially benefiting gross profit in 2020 was the change in the realized and unrealized activity of derivative instruments in comparison to the prior year with a gain of \$4.4 million as compared to a loss of \$1.3 million in 2019.

Our Company's balance sheet remained strong at year end, cash and cash equivalents and marketable securities totaled \$262.5 million as of December 31, 2020, compared with \$317.0 million as of December 31, 2019. On March 23, 2020, we declared a special cash dividend of \$3.00 per share on our common stock resulting in a total amount of \$131.2 million, which was paid on April 17, 2020. A further special cash dividend of \$2.50 per share on our common stock resulting in a total amount of \$109.4 million was paid on June 4, 2021.

In the US, we are beginning to see the economy return to pre-pandemic levels of activity and confidence. We look forward to an exciting future adapting to this new landscape. Thank you for your continued support.



**Paul A. Novelly**

*Chairman of the Board and Chief Executive Officer*



**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, 2020

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-52577

**FUTUREFUEL CORP.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**20-3340900**

(IRS Employer Identification No.)

**8235 Forsyth Blvd., Suite 400, St Louis, Missouri**

(Address of Principal Executive Offices)

**63105**

(Zip Code)

**(314) 854-8352**

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	FF	NYSE

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

- Large accelerated filer ☐  
Accelerated filer ☒  
Non-accelerated filer ☐  
Smaller reporting company ☐  
Emerging growth company ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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. **\$302,740,842**

*Note* — If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of March 16, 2021:  
**43,743,243**

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# PART I

## Item 1 Business

### GENERAL

FutureFuel Corp. (sometimes referred to as the “Company,” “we,” “us,” or “our,” and includes our wholly owned subsidiaries) is a Delaware corporation, and, through its wholly-owned subsidiary, FutureFuel Chemical Company, manufactures diversified chemical products, bio-based fuel products, and bio-based specialty chemical products.

We are headquartered in St. Louis, Missouri, and our manufacturing operations are conducted at our facility in Batesville, Arkansas. Trading of our common stock on the New York Stock Exchange (“NYSE”) commenced on March 23, 2011 under the symbol “FF”.

During 2020, we distributed normal quarterly cash dividends of \$0.06 per share and a special dividend of \$3.00 per share on our common stock. Additionally, we have declared normal quarterly cash dividends of \$0.06 per share on our common stock for the calendar year 2021.

Our business is managed in two segments: chemicals and biofuels. The chemicals segment manufactures a diversified listing of chemical products that are sold to third party customers. The majority of the revenues from the chemicals segment are derived from the custom manufacturing of specialty chemicals for specific customers. We have actively worked to develop our chemicals business with new customers in more diversified growth markets. Our specialty chemicals business is based on a solid reputation as a technology-driven, highly reliable, and globally competitive specialty chemicals producer. We retain a strong emphasis on operational excellence, cost control, and efficiency improvements to enable us to compete in the worldwide chemical industry.

With respect to our biofuels segment, our plant has a demonstrated capacity near 59 MMgy (million gallons per year) with production of 58 MMgy during 2020 with the reinstatement of the blenders’ tax credit (“BTC”), which strengthened a COVID-19 weakened market for renewable fuel volumes and resulting price declines. In late December 2019, the BTC was retroactively reinstated from its expiry on January 1, 2018, through December 31, 2022. The future production of biodiesel is uncertain and will depend on various factors including: (i) changes in feedstock prices relative to biodiesel prices; (ii) competition from alternative products, such as renewable diesel; (iii) whether government mandates with respect to biodiesel usage remain in effect; (iv) whether certain tax credits with respect to biodiesel production remain in effect; and (v) competitiveness and availability of foreign imports. See the discussion below, including “Risk Factors” beginning at page 10 below.

The COVID-19 pandemic and measures to address the pandemic have significantly reduced domestic demand for gasoline and diesel, thereby reducing demand for 2020 RINs. Renewable Volume Obligations (RVOs) are based on the volume of sales of gasoline and diesel of an obligated party under RFS2. As those

volumes decrease, there is a corresponding decrease in the volume of RINs required for RFS compliance. As a result, demand for RINs and the value of RINs going forward is uncertain. Further, it is uncertain how long the impacts of COVID-19 will continue.

### NARRATIVE DESCRIPTION OF OUR BUSINESS

#### Principal Executive Offices

Our principal executive offices are located at 8235 Forsyth Blvd., 4th Floor, Clayton, Missouri 63105. Our telephone number is (314) 854-8352. FutureFuel Chemical Company’s principal executive offices are located at 2800 Gap Road, Highway 394 South, Batesville, Arkansas 72501-9680. Its telephone number is (870) 698-3000.

#### Plant Location

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

#### Operations

For the year ended December 31, 2020, approximately 61% of our revenue was derived from biofuels, 31% from manufacturing specialty chemicals for specific customers (“custom manufacturing”), and 8% of revenues from multi-customer specialty chemicals (“performance chemicals”).

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

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



## Biofuels Business Segment

### Biofuel Products

Our biofuels business segment began in 2005 and primarily produces and sells biodiesel. In addition, we sell petrodiesel in blends with our biodiesel and, from time to time, with no biodiesel added. Finally, we are a shipper of refined petroleum products on common carrier pipelines, and we buy and sell petroleum products to maintain our active shipper status on these pipelines.

Biodiesel is a renewable energy product consisting of mono-alkyl esters of fatty acids. The mono-alkyl esters are typically produced from vegetable oil, fat, or grease feedstocks. Biodiesel is used primarily as a blend with petrodiesel (usually 5% (commonly referenced as “B5”) to 20% (commonly referenced as “B20”) by volume). A major advantage of biodiesel is that it can be used in most existing diesel engines and fuel injection equipment in blends up to B20 with no material impact to engine performance. 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 <https://afdc.energy.gov/files/pdfs/30882.pdf>.

Our technical and operational competency acquired as a supplier of specialty chemicals enabled the development of a flexible manufacturing process, which can use a broad range of feedstock oils, including, but not limited to, soy oil, cottonseed oil, pork lard, poultry fat, inedible corn oil, yellow grease, inedible tallow, choice white grease, used cooking oil, and beef tallow. Our Batesville plant produces biodiesel, which is sometimes referenced as “B100.” A biodiesel blend is currently used in the facility’s diesel fleet and is available for retail sale at the site. We offer B100 and biodiesel blended with petrodiesel (B2, B5, B10, B20, and B50 blends) at our short-term leased storage facility in Little Rock, Arkansas. In addition, we deliver blended product to a small group of customers within our region.

### Biodiesel Production/Capacity

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

In the United States, the majority of biodiesel historically has been made from domestically produced crude soybean oil due to its widespread availability and ease of processing. Since we started our biodiesel production, the cost of crude soybean oil has increased due in part to its use in biodiesel production and competing food demands. As a result, the biodiesel feedstock

market in the United States transitioned from this expensive first-generation soy feedstock to alternative second-generation lower-cost, non-food feedstocks, such as waste vegetable oil, tallow, and inedible corn oil. Our continuous production line produces biodiesel from these second-generation lower-cost feedstocks with high-free fatty acids and has demonstrated a biodiesel production capacity in excess of 58 MMgy.

### Legislative Incentives

Biodiesel production and use in the United States continues to be driven in large part by legislative initiatives at both the federal and state levels.

#### *Federal Renewable Fuels Mandate*

The largest incentive program at this time is the federal mandate enacted by Congress as part of the Energy Policy Act of 2005 (the “2005 Act”). The 2005 Act included a number of provisions intended to spur the production and use of biodiesel. In particular, the 2005 Act’s provisions included biodiesel as part of the minimum volume (i.e., a mandate) of renewable fuels (the “renewable fuels standard” or “RFS”) to be included in the nationwide gasoline and diesel pool. The volume increased each year, from 4 billion gallons per year in 2006 to 16.55 billion gallons per year in 2013. The 2005 Act required the Environmental Protection Agency (the “USEPA”) to publish “renewable fuel obligations” applicable to refiners, blenders, and importers in the contiguous 48 states. The renewable fuel obligations are expressed in terms of a volume percentage of gasoline sold or introduced into commerce and consist of a single applicable percentage that applies to all categories of refiners, blenders, and importers. The renewable fuel obligations are based on estimates that the Energy Information Association provides to the USEPA on the volumes of gasoline it expects will be sold or introduced into commerce. The USEPA released the final rules to implement the RFS on April 10, 2007. Under those rules, the RFS compliance period began on September 1, 2007. No differentiation was made among the various types of renewable fuels (e.g., biodiesel or ethanol).

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 the 2005 Act, the 2007 Act provided a renewable fuel standard carve-out specifically applicable to biodiesel. On July 1, 2010, RFS2’s biodiesel requirement became effective, thus requiring that a certain percentage of the diesel fuel consumed in the United States be made from renewable sources. The biomass-based diesel mandate rose annually and reached 2.10 billion gallons per year in 2019. Currently, the mandate is determined by the USEPA in coordination with the U.S. Secretaries of Energy and Agriculture. The last update to the mandate was issued on December 19, 2019, when the USEPA finalized the volume requirements and percentage standards under the RFS2 program for 2020 for cellulosic biofuel, biomass-based diesel, advanced biofuel, and total renewable fuel and for biomass-based diesel for 2021.

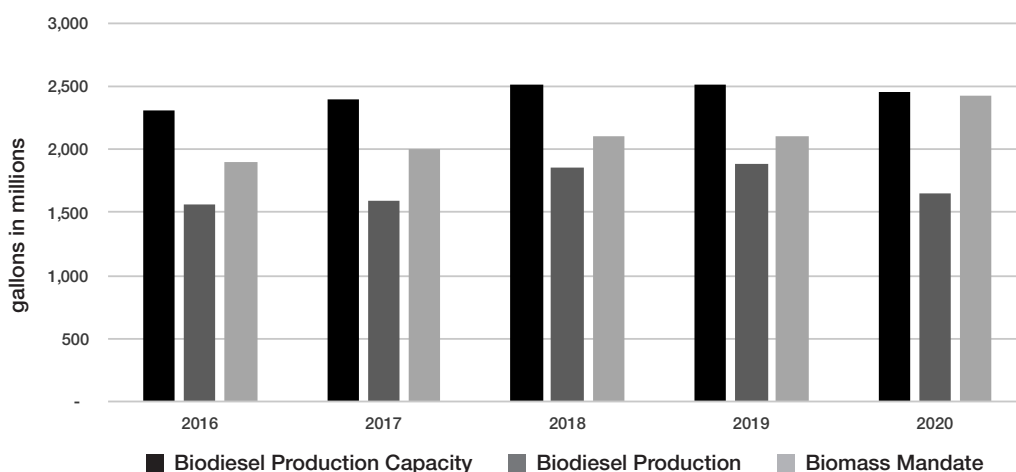
The following table shows the finalized volume requirement by the USEPA with a modest growth rate in biomass-based diesel.



	Final Renewable Fuel Volumes		
	2019	2020	2021
Cellulosic biofuel (million gallons)	418	593	n/a
Biomass-based diesel (billion gallons)	2.10	2.43	2.43
Advanced biofuel (billion gallons)	4.92	5.09	n/a
Renewable fuel (billion gallons)	19.92	20.09	n/a
Implied conventional biofuel (billion gallons)	15	n/a	n/a

- Units for all volumes are ethanol-equivalent, except for biomass-based diesel volumes, which are expressed as physical gallons.
- The 2020 biomass-based diesel volume requirement was established in the 2019 final rule (40 CFR 80.1405, December 19, 2019).
- See <https://www.epa.gov/renewable-fuel-standard-program/final-renewable-fuel-standards-2020-and-biomass-based-diesel-volume>

U.S. biomass-based diesel production capacity, of which biodiesel represents a significant amount, exceeded the federal mandate from 2016 through November 2020 as shown in the following chart:



*Biomass Production Source: Total U.S. production of renewable fuels in the RFS2 program broken out by fuel type and category is reported by the USEPA at <https://www.eia.gov/biofuels/biodiesel/production/>.*

#### Federal Blenders' and Producers' Credits

Biodiesel tax incentives have been provided through various federal statutes, including the 2005 Act and the American Jobs Creation Act, and later, the Emergency Economic Stabilization Act of 2008. The most important of these is the one dollar per gallon BTC applicable to all biodiesel. This credit has lapsed and been reinstated numerous times over the last decade. The BTC was not in place during 2012, 2014, 2015, 2018, and the majority of 2019. For each of these years, the BTC was retroactively reinstated. The longest period of retroactive reinstatement was in late December 2019 which reinstated the credit for 2018 through December 31, 2022 (the longest established period in law).

Like the BTC, the small agri-biodiesel credit was not in place for the majority of 2019. The small agri-biodiesel credit provides for an annual tax incentive in the amount of \$0.10 per gallon on the first 15 million gallons of qualified agri-biodiesel produced. In late December 2019, the small agri-biodiesel credit was retroactively reinstated from its expiry on January 1, 2018, through December 31, 2022.

#### State Incentives

Our review of state statutes reveals that virtually all states provide user or producer incentives for biodiesel, several states provide both types of incentives, and more than 35 states provide incentives to biodiesel producers to build facilities in their states, typically offering tax credits, grants, and other financial incentives. We also are registered in the states of California and Oregon fuel programs, which incentivize the use of low carbon fuels specific to biomass-based diesel. Washington is in the process of implementing a similar program. As we expand our business, we will assess these and other state incentives and determine if we qualify. We will also stay abreast of regulations and update registrations if eligible.

#### Summary

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

## Quality

For quality specification purposes, and to qualify for the federal mandate, biodiesel must meet the requirements of American Society for Testing and Materials (“ASTM”) D6751. This specification ensures that blends up to B20 are compatible with diesel engines and associated fuel system hardware. See *Status and Issues for Biodiesel in the United States*, National Renewable Energy Laboratory, Theresa Alleman, Margo Melendez, and Wendy Dafoe et. al., Feb. 2015. 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.

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 cloud point of No. 2 biodiesel does not provide adequate assurance of quality. 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 biofuels.

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

## Byproducts

### Glycerin

A byproduct of the biodiesel process is crude glycerin, which is produced at the rate of approximately 10% by mass of the quantity of biodiesel produced. Countervailing duties levied in 2017 by the U.S. Commerce Department on biodiesel imported from Argentina and Indonesia reduced excess supply of imported glycerin. The U.S. glycerin market corrected in 2018 with supply/demand more in balance. Crude glycerin (as generated from biodiesel production) is commonly sold into energy exploration and water treatment markets, the price of which is determined, among other factors, by energy prices, product supply, and corn commodity prices.

Crude glycerin can be refined into a pure form and then used in higher value markets such as specialty chemical production, agricultural formulations, food, pharmaceutical, and/or cosmetic applications. We have added the capability to refine our crude glycerin to an industrial grade with higher value applications. We currently market both crude and industrial grade glycerin with our product mix dependent upon refining capacity, product specifications, prices, and other market conditions.

## Biodiesel Residue

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

## Biodiesel Production Capacity

According to Biodiesel Magazine (December 15, 2020) the United States had a total combined annual capacity of 2,806 million gallons from 105 biodiesel plants. See <http://www.biodieselmagazine.com/plants/listplants/USA/>. Available plant capacity increased 293 million gallons from 2017. We believe that the biodiesel industry will continue to be highly competitive given the excess capacity.

## Customers and Markets

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

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

For the twelve months ended December 31, 2020 and 2019, one customer represented approximately 20% and 22% of biofuel revenue (12% and 11% of total revenue). For the twelve months ended December 31, 2018 four customers represented approximately 58% of biofuel revenue (35% of total revenue), with the remaining biofuel revenue spread across multiple other customers. We do not have long term contracts with any biofuels customer, but rather sell on the basis of monthly or short-term, multi-month purchase orders at prices based upon then-prevailing market rates. We do not believe that the loss of any of these customers would have a material adverse effect on our biofuels segment or on us as a whole in that: (i) biofuels are a commodity with a large potential customer base; (ii) we believe that we could readily sell biofuels to other customers; (iii) the prices we receive from these customers are based upon then-market rates; and (iv) our sales to the customers are not under fixed terms, and the customers have no obligation to purchase any minimum quantities except as stipulated by short term purchase orders.

## Competition

Renewable diesel is a rapidly growing competing biofuel with biodiesel. FutureFuel uses a conventional process of transesterification of feedstocks fats, vegetable oils, or waste cooking oils to make biodiesel. Renewable diesel is produced via hydro-processing of the same feedstocks. Renewable diesel, unlike conventional biodiesel, meets the fuel specification requirements of ASTM D975 (petrodiesel fuel) and ASTM D396 (home heating oil) and can be used as a direct substitute without requiring the need for petrodiesel blending. As a result, renewable diesel trades at a premium price to conventional biodiesel based on fungibility with petrodiesel, better cold weather performance and generation of a higher number of RINS on a per gallon basis.

According to the U.S. Department of Energy, five plants produce renewable diesel in the United States, with a combined capacity of nearly 400 million gallons per year. Production is expected to grow in the coming years due to expansions at existing plants

and the construction of new plants. The U.S. Energy Information Administration (EIA) does not report renewable diesel production; however, the U.S. Environmental Protection Agency (EPA) reports RFS RIN data, which indicates that the United States consumed over 900 million gallons in 2019. Nearly all domestically produced and imported renewable diesel is used in California due to economic benefits under the Low Carbon Fuel Standard. See [https://afdc.energy.gov/fuel/emerging\\_hydrocarbon.html#:~:text=Five%20plants%20produce%20renewable%20diesel,400%20million%20gallons%20per%20year](https://afdc.energy.gov/fuel/emerging_hydrocarbon.html#:~:text=Five%20plants%20produce%20renewable%20diesel,400%20million%20gallons%20per%20year).

We compete with other producers of biodiesel regionally, nationally, and with foreign imports. The principal methods of competition in the biodiesel industry are price, supply reliability, biodiesel quality, and RIN integrity, i.e., the degree of confidence the market maintains in the validity of a biodiesel producer's RINs. The ten largest producers in terms of production capacity of biodiesel in the United States in 2020 were Renewable Energy Group, Inc., Marathon and affiliates, World Energy and affiliates, RBF Port Neches, LLC, Cargill and affiliates, Ag Processing, Inc., Louis Dreyfus Agricultural Industries LLC, Hero BX, Archer Daniels Midland Co., and Seaboard Energy and affiliates. See <http://www.biodieselmagazine.com/plants/listplants/USA/>. These ten producers account for 59% of the total 2.8 billion gallons of production capacity available in 2020. Additionally, we compete with numerous other smaller producers and emerging renewable diesel and cellulosic based biodiesel technologies.

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. A significant capital investment would be required for FutureFuel to produce renewable diesel, and the current economics and business uncertainty do not support this level of investment.

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, the consequent impact on processing economics would be uncertain.

## Supply and Distribution

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

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

Several biodiesel producers and petroleum refiners are investing in large scale renewable diesel production. These include

Neste Corporation with production facilities in Asia and Europe, Valero Corporation through its Diamond Green JV with Darling Ingredients in Norco, Louisiana and World Energy, Paramount California. Greenea reported a six times potential growth in U.S. installed capacity of Renewable Diesel over the next six years. <http://www.greenea.com/wp-content/uploads/2021/01/Green-Horizon-2030-Which-investments-will-see-the-light-in-the-biofuel-industry-1.pdf>

### **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.

The mandate for biodiesel usage as established by RFS2 may interject an additional seasonal fluctuation in our biodiesel business. Once the mandate for a calendar year is met, or is anticipated to be met, demand for biodiesel may decrease.

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

In late December 2019, the BTC was retroactively reinstated from its expiry on January 1, 2018, and extended through December 31, 2022. Based on analysis from industry analysts, the biodiesel industry is entering a new era of transition to alternative feedstocks, emerging technologies, and revised government policies favoring sustainable feedstocks and fuels. Further, it is anticipated that the U.S. market may transition to larger plants, alternative feedstocks and second-generation technologies, resulting in consolidation among smaller, first-generation producers accompanied by a series of mergers and acquisitions in the field. Although it is unclear whether this trend will occur, if it does, we believe that producers who are proactive in responding to these changes can compete with foreign imports and benefit in this emerging market. These responses include: new and improved technologies; alternative feedstocks with higher yields; production scalability and flexibility options; supply chain, distribution and co-location strategies; the sale of RINs separate from the underlying biodiesel; and innovative risk management strategies.

Our future strategy for our biofuels segment is geared towards these responses. Notwithstanding our future strategy, our continued production of biodiesel may be severely limited, in part, by our ability to source feedstock given competitive growing renewable diesel markets, or eliminated entirely, in the event Congress eliminates the federal mandate of the RFS2. See "Risk Factors" beginning at page 10 below.

## **Chemicals Business Segment**

### **Overview of the Segment**

Our chemicals segment manufactures diversified chemical products that are sold to third party customers. This segment comprises two components: "custom manufacturing"

(manufacturing specialty chemicals for specific customers) and "performance chemicals" (multi-customer specialty chemicals).

### **Chemical Products**

Custom manufacturing involves producing unique products for strategic customers, generally under long-term contracts. Many of these products are produced under confidentiality agreements in order to protect each company's intellectual property. This is a service-based business where customers value dependability, regulatory compliance, technical capabilities, responsiveness, product quality, process scale up and improvement, operational safety, and environmental protection. Our custom manufacturing products are manufactured by continuous production, dedicated batch or general-purpose batch mode depending on the volumes required. Management believes that we are 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, our custom manufacturing product portfolio has been highly concentrated on two significant legacy products, namely a laundry detergent additive for a leading consumer products company and a proprietary row crop herbicide. Our current custom manufacturing product portfolio is more diversified into multiple markets including agrochemicals, oilfield chemicals, industrial intermediates, and fabric care markets.

Performance chemicals comprise multi-customer products, which are sold based upon specification and/or performance in the end-use application. This portfolio includes a family of polymer (nylon and polyester) modifiers, glycerin products, and several small-volume specialty chemicals and solvents for diverse applications. We have added the capability to refine our crude glycerin to an industrial grade of glycerin for higher value specialty chemical applications.

### **Future Strategy**

To build on and maintain our reputation as a technology-driven competitive chemical producer, we believe that we must continuously focus on customer relationship development, cost control, operational efficiency, capacity utilization, operational safety, and environmental protection to maximize earnings. We believe that the ability to use 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. We possess a core competency in chemical processing of bio-based feedstocks, and we believe this, combined with our expertise in specialty chemical synthesis, will position us favorably as a preferred manufacturer of a rapidly growing sustainable products market.



## Customers and Markets

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

We agreed to extend the supply of our laundry detergent additive to our customer through 2020. However, demand for the laundry detergent additive has continued to decrease, and this customer will not require further production of any of this laundry detergent additive. We believe it is unlikely that there is a profitable market for new customers for this product.

No chemical customer represented greater than 10% of total sales revenue in 2020. One of our chemical customers and its affiliates, represented 10% or more of our 2019 and 2018 consolidated sales revenues. This customer represented approximately 22%, and 27% of our chemicals revenue (11% of total revenues each year) in 2019 and 2018, respectively. We sell multiple products to various affiliates of this customer under both long-term and short-term contracts. One product contract was not renewed at December 31, 2020, representing 17%, 10%, and 12% of chemical revenue (7%, 5%, and 5% of total revenue) for 2020, 2019, and 2018, respectively. Another product contract was not renewed at December 31, 2019, representing 15% of chemical revenue in 2019 (7% of total revenue) and 14% of chemical revenue in 2018 (6% of total revenue). We are actively considering new business for the general purpose equipment vacated; however, there is no guarantee if or when we will be successful finding new business.

## Competition

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

## Supply and Distribution

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

## Cyclicity and Seasonality

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

## Backlog

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

## Intellectual Property

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

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

## Research and Development

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

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

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

Research and development expense incurred by us for the years ended December 31, 2020, 2019, and 2018 were \$2,988, \$3,191, and \$3,524, respectively. Substantially all of such research and development expense are related to the development of new products, services, and processes or the improvement of existing products, services, and processes.

## Environmental Matters

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

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

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

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

The federal Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (or “RCRA”), is the principal federal statute governing the management of wastes, including the treatment, storage and disposal of hazardous wastes. RCRA imposes stringent operating requirements, and liability for failure to meet such requirements, on a person who is either a generator or transporter of hazardous waste or an owner or operator of a hazardous waste treatment, storage, or disposal facility. Many of the wastes generated in our manufacturing facility are governed by RCRA.

The federal Oil Pollution Act of 1990 (or “OPA”) and regulations thereunder impose liability on responsible parties for damages resulting from oil spills into or upon navigable waters, adjoining shorelines, or in the exclusive economic zone of the United States. A responsible party includes the owner or operator of an onshore facility. Spill cleanup liability 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 via the Water Pollution Control Act.

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.

The Toxic Substances Control Act (TSCA) seeks to reduce risks of injury to health or the environment associated with the manufacture, processing, distribution, use, or disposal of chemical substances. TSCA requires reporting, record-keeping and testing of certain chemicals and restricts use of some chemical substances and/or mixtures. Some substances are excluded from TSCA, including food, drugs, cosmetics and pesticides. Government agencies may initiate regulatory action to label, restrict, or ban a chemical, or to require the submission of additional data needed to determine the risk a chemical may pose. The statute contains enforcement provisions that include both criminal and civil penalties.

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, storage tanks, and boilers. When these types of assets are constructed or installed, a reserve is established for the future costs anticipated to be associated with the closure of the site based on the expected life of the environmental assets, the applicable regulatory closure requirements, and our environmental policies and practices. These expenses are charged into earnings over the estimated useful life of the assets. Currently, we estimate the useful life of each individual asset up to 39 years.

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

unanticipated government enforcement action, or changes in health, safety, environmental, chemical control regulations, and testing requirements could result in higher or lower costs.

Our cash expenditures related to environmental protection and improvement were approximately \$10,057, \$10,024, and \$10,940 for the years ended December 31, 2020, 2019, and 2018, respectively, and are included in costs of goods sold in the consolidated statements of income for each period. 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 that adversely impact us. In connection with our acquisition of our warehouse in Batesville, the seller agreed to remediate certain environmental conditions existing at the facility on the date that we acquired it and to indemnify us with respect to those environmental conditions. We continue to monitor the seller's compliance with its remediation obligations.

### Management Team and Human Capital

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

Our Batesville workforce comprises approximately 470 full-time non-union 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 6.5% over the past five years.

### AVAILABLE INFORMATION

We file annual, quarterly, and other reports, proxy statements, and other information with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers such as us that file electronically with the SEC. You may access that site at <http://www.sec.gov>.

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

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

## 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 RELATED TO ECONOMIC CONDITIONS, GOVERNMENTAL ACTION, AND OUR INDUSTRY

*We, along with global markets in general, may be significantly affected by the potential COVID-19 public health pandemic, which may adversely affect our business, results of operations or financial condition.*

The global outbreak of the COVID-19 pandemic has caused governments to take measures to prevent spread of the virus. We source certain raw materials for our chemicals segment from China. Currently, the impact of COVID-19 on employees and industries in China and the global economy as a whole is uncertain. If COVID-19 is not stopped, the pandemic could further negatively affect the global economy and our business by negatively impacting our ability to competitively source raw materials, which would have a negative effect on our revenue, expenses and results of operations. We are currently supplied for these raw materials through the near term, however, our ability to competitively source these raw materials after such time is uncertain given the unknown impacts of COVID-19.

Additionally, the spread of COVID-19 could generally devastate companies globally, which could in turn have a negative impact on our customers and thus on our business, the extent to which depends on future developments, which are highly unpredictable. We cannot predict the degree to, or the time period over, which our sales and operations will be affected by this outbreak, and

the effects could be material. The impacts include, but are not limited to:

- a significant decline in demand for our products due to market disruptions, resulting in a decline in sales and prices;
- limitations of feedstocks, price volatility, or disruptions to our suppliers' operations;
- the complete or partial closure of our manufacturing facility;
- the interruption of our distribution system, or temporary or long-term disruption in our supply chains, or delays in the delivery of our product;
- suspension of renewable fuel and/or low carbon fuel policies;
- limitations on our ability to operate our business as a result of federal, state or local regulations, including any changes to the designation of our business as “essential” by the US Department of Homeland Security;
- decreases in the demand for and price of RINs and LCFS credits as a result of reduced demand for petroleum-based gasoline and diesel fuel; and
- our management of the impact of COVID-19 has and will continue to require significant investment of time and may cause the Company to divert or delay the application of its resources toward other or new initiatives or investments, which may cause a material adverse impact on the results of operations.

The extent of the impact of the COVID-19 pandemic on our business is highly uncertain as information is evolving with respect to the duration and severity of the pandemic. We cannot reasonably estimate the duration and severity of the COVID-19 pandemic, or its impact, which may be significantly harmful to our operations and profitability.

*We operate within the biomass-based diesel industry, which relies on governmental programs requiring or incentivizing the consumption of biofuels, including the BTC. The expiration or loss of mandates or incentives would have a material adverse effect on our business.*

The most significant tax incentive program in the biomass-based diesel industry has been the BTC. Under the BTC, the first person to blend pure biomass-based diesel with petroleum-based diesel fuel receives a one dollar per gallon refundable tax credit. The BTC was not in place during 2018 and not in place for the majority of 2019. However, in late December 2019, the BTC was retroactively reinstated from its expiry on January 1, 2018, through December 31, 2022. The BTC has not been extended past December 31, 2022. There is no guarantee that the BTC will be reinstated after 2022, which could have a material adverse effect on us and on the biodiesel industry in general.

We operate within the biomass-based diesel industry, which relies on governmental programs requiring or incentivizing the consumption of biofuels. Biomass-based diesel has historically been more expensive to produce than petroleum-based diesel fuel and these governmental programs support a market for biomass-based diesel that might not otherwise exist. The petroleum industry is opposed to many of these government incentives and can be expected to continue to challenge these incentives.



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

***Our biofuels operations may be harmed if the federal or state governments were to change current laws and regulations.***

Alternative fuels businesses benefit from government subsidies and mandates. If any of the state or federal laws and regulations relating to the government subsidies and mandates change, including failure to reinstate the federal biodiesel BTC, our ability to benefit from our alternative fuels business could be harmed.

With respect to our biofuels platform, the United States Congress could repeal, curtail or otherwise change the RFS2 program in a manner adverse to us. Similarly, the USEPA could curtail or otherwise change its administration of the RFS2 program in a manner adverse to us, including by not increasing or even decreasing the required renewable fuel volumes, by waiving compliance with the required renewable fuel volumes or otherwise. In addition, while Congress specified RFS2 renewable fuel volume requirements through 2022 (subject to adjustment in the rulemaking process), beginning in 2023 required volumes of renewable fuel will be largely at the discretion of the USEPA (in coordination with the Secretary of Energy and Secretary of Agriculture). We cannot predict what changes, if any, will be instituted or the impact of any changes on our business, although adverse changes could seriously harm our revenues, earnings and financial condition.

Further, 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 benefits from successful completion of USEPA Tier I and Tier II health effects testing under Section 211(b) of the Clean Air Act. This testing verified biodiesel does not pose a threat to human health and improves air quality as a replacement for petroleum diesel. Also, portions of our biofuels may, from time to time, be registered in states where we obtain benefits from state specific subsidies, mandates or programs. If federal or state agency determinations, laws, and regulations relating to the application and use of alternative energy are changed, the marketability and sales of biodiesel production could be materially adversely affected.

***We derive a significant portion of our revenues from sales of our biofuels in the State of California primarily as a result of California's Low Carbon Fuel Standard ("LCFS"); adverse changes in this law or reductions in the value of LCFS credits would harm our revenues and profits.***

The LCFS is designed to reduce greenhouse gas ("GHG") emissions associated with transportation fuels used in California by ensuring that the total amount of fuel consumed meets declining targets for such emissions. The regulation quantifies lifecycle GHG emissions by assigning a "carbon intensity" ("CI") score to each transportation fuel based on that fuel's lifecycle assessment. Each petroleum fuel provider, generally the fuel's producer or importer is required to ensure that the overall CI score for its fuel pool meets the annual carbon intensity target for a given year. This obligation is tracked through credits and deficits and credits can be traded. We generate LCFS credits when we sell qualified fuels

which are used in California. As a result of the trading price of LCFS credits, California has become a desirable market in which to sell our biodiesel. If the value of LCFS credits were to materially decrease as a result of over-supply, as a result of reduced demand for our fuels, or for other reasons including the continued impact of the COVID-19 pandemic, if the fuel produced is deemed not to qualify for LCFS credits; or if the LCFS or the manner in which it is administered or applied were otherwise changed in a manner adverse to us, our revenues and profits could be seriously harmed.

***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 that are lawful and appropriate for such purposes, no assurances can be made that they will be successful. A key component of our competitive position, particularly given the commodity-based nature of many of our products, will be our ability to manage expenses successfully, which requires continuous management focus on reducing unit costs and improving efficiency. No assurances can be given that we will be able to successfully manage such expenses.

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

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

The total 2019 U.S. production capacity for biodiesel of 2.47 billion gallons is in excess of the current 2.43 billion gallons per year RFS2 mandate for 2020 and 2021. Excess of production capacity over the 2020 and 2021 mandates could result in a decline in biodiesel prices and profitability, negatively impacting our ability to maintain the profitability of our biofuels segment and recover capital expenditures in this business segment.

Biodiesel is encountering increased competition from renewable diesel, which is produced via hydrotreating a biomass-based feedstock. Renewable diesel can be used interchangeably with conventional petroleum diesel, is not limited in blends, and can be transported via existing fuel pipeline infrastructure. A significant capital investment would be required for FutureFuel to produce renewable diesel, and the current economics and business uncertainty do not support this level of investment.

The primary manufacturers of renewable biodiesel include Neste, World Energy, Zymergen, Diamond Green Diesel, Fulcrum, Red Rock, Raj Renewables, and Dynamic Fuels. Biodiesel Magazine recently estimated in January 2021 that there is close to 5.5 billion gallons of new investments being made to expand capacity of renewable diesel. See <http://www.biodieselmagazine.com/articles/2517318/renewable-diesels-rising-tide>.

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

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

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

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

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

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

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

***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. Common carrier pipelines do not transport 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 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.

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

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

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

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

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

The environmental impacts associated with biodiesel production and use have not yet been fully analyzed. Under the 2007 Energy Independence and Security Act, the USEPA is required to produce a study every three years of the environmental impacts associated with current and future biofuel production and use, including effects on air and water quality, soil quality and conservation, water availability, energy recovery from secondary materials, ecosystem health and biodiversity, invasive species, and international impacts. The first such triennial report was published in January 2011. The second triennial report was published June 29, 2018. The 2018 report reaffirms the findings of the 2011 report and reflects the current understanding about biofuel production using data gathered through May 2017.

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. The USEPA may also institute requirements for 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.

## RISKS RELATED TO OUR BUSINESS

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

Our chemical business is concentrated with five large customers covering multiple products representing greater than 70% of our chemicals segment product sales, or 27% of total revenues. Although this business is contracted in longer-term production agreements, the loss of any of these strategic customers could have a material adverse effect on our chemicals business.

Additionally, our biofuels segment has one large customer. Sales to this biodiesel customer totaled approximately 12% of total revenues in 2020 (or \$25,460), 11% of total revenues in 2019 (or \$22,352), compared to two large customers with total revenue of 20% in 2018 (or \$57,198). We do not have a contract with these customers but rather sell based on monthly or short-term, multi-month purchase orders placed with us by the customers at prices based upon then-prevailing market rates.

***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, renewable diesel produced from catalytic hydrotreating of renewable feedstock oils, and competitive process technologies, such as advanced biodiesel continuous reactor and washing designs that increase throughput. Additionally, new supplies of natural gas in the U.S., primarily as a result of shale gas development, have lowered natural gas prices. Lower natural gas prices may lead to increased use of natural gas as a transportation fuel. Increased usage of natural gas in the transportation market, or other markets that have traditionally used petrodiesel or biodiesel, may lead to declines in the demand for petrodiesel and biodiesel. Lastly, new and more active compounds may be discovered that require less volume or different manufacturing methods, or the end products may become obsolete and be replaced with differing materials.

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

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

The biofuel and chemical industries are subject to extensive federal, state, local, and foreign laws and regulations related to the general population's health and safety and those associated with compliance and permitting obligations (including those related to the use, storage, handling, discharge, emission, and disposal of municipal solid waste and other waste, pollutants or hazardous substances or waste, or discharges and air and other emissions) as well as land use and development. Existing laws also impose obligations to clean up contaminated properties, or to pay for the cost of such remediation, often upon parties that did not 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 that 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.

***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 that cannot be sourced on economic terms. In addition, pollution and environmental risks generally are not fully insurable. Losses and liabilities from uninsured and underinsured events and delay in the payment of insurance proceeds could have a material adverse effect on our financial condition and results of operations.

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

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

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

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

We hedge our raw materials and/or finished products for our biofuels segment to some degree to manage the commodity price risk of such items. This requires the purchase or sale of commodity futures contracts and/or options on those contracts or similar financial instruments. We may be forced to make cash deposits available to counterparties as they mark-to-market these financial hedges. This funding requirement may limit the level of commodity price risk management that we are prudently able to



complete. If we do not manage or are not capable of managing the commodity price risk of our raw materials and/or finished products for our biofuels segment, we may incur losses as a result of price fluctuations with respect to these raw materials and/or finished products.

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

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

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

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

We hold a \$100 million revolving credit facility with a commercial bank. This credit facility expires in March 2025. Although as of the date of this report we have no outstanding borrowings under the existing facility, if and when we do borrow, the restrictions governing this type of 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 do not expect the transition from LIBOR (London Inter-Bank Offered Rate) to have a material impact on our credit facility.

***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 that 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, 2020, 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.

***The risk of loss of the Company's intellectual property, trade secrets or other sensitive business information or disruption of operations could negatively impact the Company's financial results.***

The Company has information and information processing assets, including intellectual property, trade secrets, and other sensitive, business critical information as well as on-premise and cloud-based business applications critical to conducting business. In addition, our chemical manufacturing facilities are highly automated using modern computer systems. Cyber-attacks affecting the Company, its supply chain or customers could compromise confidential, business critical information, cause a disruption in the Company's operations, harm the Company's reputation, or endanger the environment if the Company, its suppliers or customers do not effectively prevent, detect and recover from these or other security breaches. FutureFuel, like many companies today, is the target of industrial espionage, including cyber-attacks. The Company has determined that these attacks have resulted, and could result in the future, in unauthorized parties gaining access to certain confidential business information. When unauthorized access is discovered, the Company reports such situations to governmental authorities for investigation, as appropriate, and takes measures to mitigate any potential impact.

Although management does not believe that the Company has experienced any material losses to date related to these cyber security breaches, there can be no assurance that such losses will not be suffered in the future. The Company seeks to actively manage the risks within its control that could lead to business disruptions and cyber security breaches through a comprehensive cyber security program that is continuously reviewed (through internal and external, third party, auditing), maintained, and upgraded. As these threats continue to evolve, particularly around cybersecurity, the Company may be required to expend significant resources to enhance its control environment, processes, practices, and other protective measures. Despite these efforts, such events could have a material adverse effect on FutureFuel's business, results of operations, financial condition and cash flows.

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

We rely in part on trade secret protection to protect our confidential and proprietary information and processes. However, trade secrets are difficult to protect. We have taken measures to protect our trade secrets and proprietary information, but these measures may not be effective. For example, we require new custom manufacturing chemical customers to execute confidentiality agreements before we begin manufacturing custom chemicals for them. We also require employees and consultants to execute confidentiality agreements upon the commencement of their employment or consulting arrangement with us. These agreements generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and

not disclosed to third parties. These agreements also generally provide that know-how and inventions conceived by the individual in the course of rendering services to us are our exclusive property. Nevertheless, these agreements may be breached, or may not be enforceable, and our proprietary information may be disclosed. Further, despite the existence of these agreements, third parties may independently develop substantially equivalent proprietary information and techniques. Accordingly, it may be difficult for us to protect our trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

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

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

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

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

Many biodiesel plants in the United States do not operate at full capacity. Further, plants under construction and expansion in the United States as of December 2020, 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 used 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.

***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 impairment losses.

In March of 2020, the COVID-19 virus (referred herein as the coronavirus) outbreak and instability in the geopolitical environment over oil pricing created significant volatility in global financial markets. If these situations continue to worsen, it is expected that global market values and the value of our investments could experience significant declines.

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

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

Disruptions could also occur due to internal factors such as computer or equipment malfunction (accidental or intentional), operator error, or process failures; or external factors such as computer or equipment malfunction at third-party service providers, natural disasters, pandemic illness, changes in laws or regulations, war or other outbreak of hostilities or terrorism, cyber-attacks, or breakdown or degradation of transportation infrastructure used for delivery of supplies to the Company or for delivery of products to customers. No assurances can be provided that any future disruptions due to these, or other, circumstances will not have a material effect on operations. Such disruptions could result in an unplanned event that could be significant in scale and could negatively impact operations, neighbors, and the environment, and could have a negative impact on our results of operations.

## RISKS ASSOCIATED WITH OWNING OUR SHARES

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

Our certificate of incorporation authorizes the issuance of 75,000,000 shares of common stock and 5,000,000 shares of preferred stock. As of the date of this report, 43,743,243 shares of our common stock currently are outstanding. The issuance of any additional shares of our common stock or preferred stock would dilute the percentage ownership of our company held by existing stockholders.

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

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

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

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

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

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

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

Mr. Paul A. Novelly, our executive chairman of the board, or affiliates of him are entitled to demand that we register under the Securities Act of 1933, as amended (or the “Securities Act”), the resale of certain shares of our common stock beneficially owned by Mr. Novelly or his affiliates (including St. Albans Global Management, Limited Partnership, LLLP). If Mr. Novelly or his affiliates exercise their registration rights with respect to all of their shares of our common stock, there will be an additional 17,725,100 available for trading in the public market. The registration and availability of such a significant number of shares 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 trades on the NYSE under the symbol “FF”. Securities admitted to the NYSE may be suspended from dealing or delisted at any time the listed company fails to satisfy certain continued listing criteria. These criteria could be triggered if, among other things, the number of our publicly-held shares falls below 600,000, the average closing price of our common stock is less than \$1.00 per share over a consecutive 30 trading-day period, or we fail to file certain reports with the SEC. As a matter of practice, the NYSE generally gives a listed company notice if any of these criteria are triggered, and generally provides the listed company with certain cure periods. If we suffer such an event but do not cure it, or if such event cannot be cured, trading of our common stock on the NYSE may be suspended from dealing or our stock may be delisted. Any such suspension or delisting may have an adverse effect on the market price of our common stock.

## Item 1B Unresolved Staff Comments

None.

## Item 2 Properties

Our principal asset is a manufacturing plant situated on approximately 2,200 acres of land six miles southeast of Batesville in north central Arkansas fronting the White River. Approximately 500 acres of the site are occupied with batch and continuous manufacturing facilities, laboratories, and infrastructure, including on-site liquid waste treatment. Our subsidiary, FutureFuel Chemical Company, is the fee owner of this plant and the land upon which it is situated (which plant and land are not subject to any major encumbrances) and manufactures both biofuels and chemicals at the plant. Use of these facilities may vary with product mix and economic, seasonal, and other business conditions, but the plant is substantially used 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 well maintained, in good operating condition, and suitable and adequate for its uses.

## Item 3 Legal Proceedings

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

## Item 4 Mine Safety Disclosures

Not applicable.



## PART II

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

#### MARKET INFORMATION

The shares of our common stock are traded on the NYSE under the trading symbol "FF". As of March 16, 2021, there are 43,743,243 shares of our common stock outstanding.

#### HOLDERS

The shares of our common stock were held by approximately 278 holders of record on March 16, 2021, as recorded on our transfer agents' register. We believe that the number of beneficial owners of our common stock is substantially greater than the number of holders of record.

#### DIVIDENDS

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

paid regular cash dividends for 2020 and 2019, a special dividend in 2020, and we have also declared dividends for 2021. While we anticipate similar regular cash dividends after 2021, no assurances can be given that we will declare or pay dividends for years after 2021.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

Our board of directors adopted an omnibus incentive plan, which was approved by our shareholders at our 2017 annual shareholder meeting on September 7, 2017 (the "Incentive Plan"). We do not have any other equity compensation plan or individual equity compensation arrangement. Under the Incentive Plan, awards are limited to 10% of the issued and outstanding shares of our common stock in the aggregate. The shares to be issued under the Incentive Plan were registered with the SEC on a Form S-8 filed on November 9, 2017, and through December 31, 2020, we issued 44,000 options to purchase shares of our common stock and awarded no shares to participants under the Incentive Plan.

The following additional information regarding the incentive plans is as of December 31, 2020.

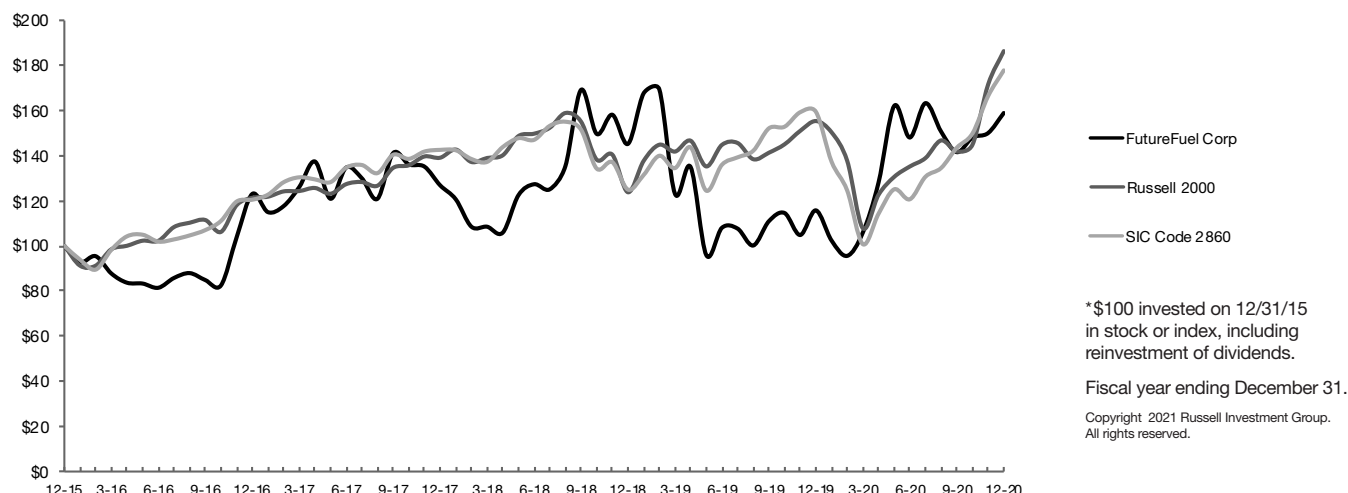
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	44,000	\$ 12.73	4,330,167

#### PERFORMANCE GRAPH

The graph below matches the cumulative 5-year total return of holders of FutureFuel Corp's common stock with the cumulative total returns of the Russell 2000 index and a customized peer group of 26 companies grouped by SIC code (chemical industry) that includes: Aemetis Inc., American Resources Corp, Amyris Inc., Bluefire Renewables Inc., Celanese Corp, Cleantech Biofuels Inc., Data443 Risk Mitigatoin Inc., Easylink Solutions Corp, ESP Resources Inc., Glyeco Inc., Green Energy Live Inc., Green Plains Inc., Greenbelt Resources Corp, Koppers Holdings Inc., Methes Energies International Ltd, New America Energy Corp, Newmarket Corp, Nouveau Life Pharmaceuticals Inc., Pacific Ethanol Inc., Postd Merchant Banque, Rayonier Advanced Materials Inc., Renewable Energy Group Inc., Rex American Resources Corp, Tantech Holdings Ltd, Westlake Chemical Partners LP, and Zeons Corp. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was \$100 on December 31, 2015, and tracks it through December 31, 2020.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among FutureFuel Corp, the Russell 2000 Index, and SIC Code 2860



### RECENT SALES OF SECURITIES

We did not sell any of our securities within the three-year period ended December 31, 2020, in transactions that were not registered under the Securities Act.

### PURCHASE OF SECURITIES BY US

During 2020, neither we, or 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, 2016, 2017, 2018, 2019 and 2020. The information presented in the table below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and Notes thereto. The financial data presented for 2017 and 2016 is not directly comparable between periods as a result of the adoption of Accounting Standard Codification (“ASC”), Topic 606, *Revenue from Contracts with Customers* in 2018 using the modified retrospective method.

(Dollars in thousands, except per share amounts)

Item	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016
Operating Revenue	\$ 204,505	\$ 205,226	\$ 291,018	\$ 275,026	\$ 253,193
Net income	\$ 46,564	\$ 88,181	\$ 53,158	\$ 23,511	\$ 56,341
Earnings per common share:					
Basic	\$ 1.06	\$ 2.02	\$ 1.22	\$ 0.54	\$ 1.29
Diluted	\$ 1.06	\$ 2.02	\$ 1.22	\$ 0.54	\$ 1.29
Total Assets	\$ 441,304	\$ 586,505	\$ 471,155	\$ 425,563	\$ 529,043
Long-term obligations	\$ 36,433	\$ 36,644	\$ 42,586	\$ 38,686	\$ 52,181
Dividends declared per common share	\$ 3.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 2.77
Net cash provided by operating activities	\$ 96,403	\$ 34,638	\$ 85,613	\$ 39,347	\$ 90,975
Net cash provided by (used in) investing activities	\$ 474	\$ 4,219	\$ 25,406	\$ (13,183)	\$ (35,207)
Net cash used in financing activities	\$ (142,086)	\$ (10,498)	\$ (10,674)	\$ (110,809)	\$ (10,545)

## Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

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

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

Unless otherwise stated, all dollar amounts are in thousands.

### OVERVIEW

#### In General

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

Major products in the custom chemicals group include: (i) consumer products (cosmetics and personal care products, specialty polymers, and specialty products used in the fuels industry); (ii) proprietary herbicide intermediates manufactured for select strategic customers; (iii) chlorinated polyolefin adhesion promoters and antioxidant precursors for a customer; and (iv) a biocide intermediate for another customer.

The custom chemicals group historically included a laundry detergent additive manufactured exclusively for a customer for use in a household detergent. Revenues generated from the laundry detergent additive were based on a supply agreement with the customer. In 2018, we entered into a new agreement to extend the supply of the laundry detergent additive to this customer through 2019 at reduced volumes and prices and to provide this customer with the option to purchase this product in 2020. Sales to this customer ended in 2020 and no further sales are expected.

Our supply agreement with a major multi-national life sciences company to manufacture an intermediate for a herbicide was effective through December 31, 2020. The agreement was not extended past 2020 and no further sales are anticipated.

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

Performance chemicals consist of specialty chemicals that are manufactured to general market-determined specifications and are sold to a broad customer base. A major product line in

the performance chemicals group is SSIPA/LiSIPA, a polymer modifier that aids the properties of nylon and polyesters. This group of products also includes other sulfonated monomers and hydrotropes, specialty solvents, polymer additives, and chemical intermediates, such as glycerin.

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

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

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

There currently is uncertainty as to whether we will produce biodiesel in the future. This uncertainty results from changes in feedstock prices relative to biodiesel prices and the lack of permanency of government mandates including the blenders' tax credit, the small producer's tax credit, the renewable fuels program, and the California low carbon fuel program credits. See "Risk Factors" above as well as Note 3 to our consolidated financial statements. This uncertainty also results from government mandates that strengthen markets that we compete against including renewable diesel and electric vehicles.

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

Most of our sales are FOB the Batesville plant, although some transfer points are in other states or foreign ports. While many of our chemicals are used 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 revenue for the last three fiscal years attributable to the United States and foreign countries (based upon the billing addresses of our customers) is set forth in the following table.

Period	United States	All Foreign Countries	Total
Year ended December 31, 2020	\$ 203,365	\$ 1,140	\$ 204,505
Year ended December 31, 2019	\$ 203,470	\$ 1,756	\$ 205,226
Year ended December 31, 2018	\$ 289,019	\$ 1,999	\$ 291,018

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

Finally, cost of goods sold includes hedging gains and losses recognized by us related to our biofuels segment. Cost of goods sold is allocated to the chemicals and biofuels business segments based on equipment and resource usage for most conversion costs and based on revenue 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 revenue and expenses in total and for individual product lines and does not differentiate related party transactions.

### FISCAL YEAR ENDED DECEMBER 31, 2020, COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2019

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, 2020	Twelve Months Ended December 31, 2019	Dollar Change	% Change
Revenue	\$ 204,505	\$ 205,226	\$ (721)	(0.4%)
Income from operations	\$ 22,339	\$ 65,309	\$ (42,970)	(65.8%)
Net income	\$ 46,564	\$ 88,181	\$ (41,617)	(47.2%)
Earnings per common share:				
Basic	\$ 1.06	\$ 2.02	\$ (0.96)	(47.5%)
Diluted	\$ 1.06	\$ 2.02	\$ (0.96)	(47.5%)
Capital expenditures (net of customer reimbursements)	\$ 2,424	\$ 2,243	\$ 181	8.1%
Adjusted EBITDA	\$ 29,157	\$ 78,697	\$ (49,540)	(63.0%)

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

Adjusted EBITDA allows our chief operating decision makers to assess the performance and liquidity of our business on a consolidated basis to assess the ability of our operating segments

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

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



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

(Dollars in thousands)

	Twelve months ended December 31:	
	2020	2019
Net income	\$ 46,564	\$ 88,181
Depreciation	11,150	12,087
Non-cash stock-based compensation	49	21
Interest and dividend income	(5,648)	(10,050)
Non-cash interest expense and amortization of deferred financing costs	151	173
Loss (gain) on disposal of property and equipment	31	(11)
(Gain) loss on derivative instruments	(4,379)	1,301
Loss (gain) on marketable securities	4,375	(4,619)
Other non-operating income	(8,350)	-
Income tax benefit	(14,786)	(8,386)
Adjusted EBITDA	\$ 29,157	\$ 78,697

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:	
	2020	2019
Net cash provided by operating activities	\$ 96,403	\$ 34,638
Benefit for deferred income taxes	610	5,145
Interest and dividend income	(5,648)	(10,050)
Income tax provision	(14,786)	(8,386)
Gain (loss) on derivative instruments	(4,379)	1,301
Change in fair value of derivative instruments	390	30
Changes in operating assets and liabilities, net	(35,083)	56,017
Other non-operating income	(8,350)	-
Other	-	2
Adjusted EBITDA	\$ 29,157	\$ 78,697

## Results of Operations

### Consolidated

(Dollars in thousands)

	2020 Compared to 2019:				2019 Compared to 2018:			
	2020	2019	Change		2019	2018	Change	
			\$	%			\$	%
Sales	\$ 204,505	\$ 205,226	\$ (721)	(0.4%)	\$ 205,226	\$ 291,018	\$ (85,792)	(29.5%)
Volume/product mix effect			\$ (5,737)	(2.8%)			\$ (53,955)	(18.5%)
Price effect			\$ 5,016	2.4%			\$ (31,837)	(10.9%)
Gross profit	\$ 31,307	\$ 74,139	\$ (42,832)	(57.8%)	\$ 74,139	\$ 73,398	\$ 741	1.0%
Operating expense	\$ (8,968)	\$ (8,830)	\$ (138)	1.6%	\$ (8,830)	\$ (9,959)	\$ 1,129	(11.3%)
Other income	\$ 9,439	\$ 14,486	\$ (5,047)	(34.8%)	\$ 14,486	\$ (3,262)	\$ 17,748	(544.1%)
Income tax benefit (provision)	\$ 14,786	\$ 8,386	\$ 6,400	76.3%	\$ 8,386	\$ (7,019)	\$ 15,405	(219.5%)
Net income	\$ 46,564	\$ 88,181	\$ (41,617)	(47.2%)	\$ 88,181	\$ 53,158	\$ 35,023	65.9%

### 2020 COMPARED TO 2019

Consolidated sales revenue decreased \$721 in 2020 compared to 2019. This net decrease primarily resulted from lower sales volumes in the chemical segment mostly offset by increased sales volumes in the biofuel segment.

Gross profit decreased \$42,832 in 2020 compared to 2019. This decrease was primarily attributable to a benefit in the prior year from the reinstatement of the biodiesel BTC for 2018 recognized in 2019, amounting to \$31,301, (see Note 3 of our consolidated financial statements for further details), lower margins on biodiesel sold, the absence of a chemical contract that expired in 2019, and reduced chemical sales volumes primarily driven by the COVID-19 pandemic effect on energy, textile, and automobile markets that

we sell to. Partially offsetting these declines was an improvement in the change in the derivative activity which increased gross profit \$4,379 in 2020 as compared to decrease in gross profit of \$1,301 in 2019.

Operating expenses decreased \$138 in 2020 compared to 2019. This decrease was primarily the result of lower compensation expense.

Other income decreased \$5,047 in 2020 primarily from the change in gain (loss) on marketable securities of \$8,994 and a reduction in interest and dividend income of \$4,402. In 2020, the loss on equity securities sold was \$4,129 as compared to a loss of \$1,837 in 2019. The mark-to-market change on equity investments was a loss of \$246 in 2020 and a gain of \$6,283 in 2019. These decreases

were partially offset by other non-operating income of \$8,350 (see Note 24 of the consolidated financial statements).

#### Income tax benefit (provision)

The income tax benefit in 2020 was \$14,786 or an effective tax rate of (46.5%) as compared to a benefit in 2019 of \$8,386 or an effective tax rate of (10.5%).

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (Pub.L. 116-136) ("CARES Act"). The CARES Act, among other things, provides that Net Operating Losses ("NOLs") arising in a taxable year beginning after December 31, 2017 and before January 1, 2021, shall be treated as a carryback available to offset 100% of taxable income in each of the 5 preceding taxable years unless the taxpayer elects to forego the carryback. The Company's effective tax rate for the year 2020 is positively impacted by its ability to carry back both its 2019 and 2020 federal NOLs in full to tax years with 35% marginal tax rates, rather than forward to years with anticipated 21% tax rates. In the fourth quarter of 2020, the Company filed a refund claim of \$7,695 and accrued an additional refund claim of \$1,211, subsequently filed in January 2021, relating to the carryback of its NOL generated in 2019. No refunds have been received as of December 31, 2020. The Company also anticipates filing a refund claim before the end of 2021 relating to the carryback of the NOL anticipated to be generated in 2020. States in which the Company conducts the majority of its business have not conformed to the CARES Act's enhanced NOL carryback provisions, and the anticipated benefits of these state NOL carryforwards are accordingly classified as deferred tax assets.

The Company's effective tax rate for the year 2020 reflects the positive effect of certain tax credits and incentives, the most significant of which were the BTC and the Small Agri-biodiesel Producer Tax Credit. Based on technical guidance from Internal Revenue Service, the Company excludes the portion of the BTC not used to satisfy excise tax liabilities from income.

The Company's effective tax rate for the year 2019 reflected the positive effect of the reinstatement of certain tax credits and incentives for 2018 and 2019, the most significant of which was the BTC and Small Agri-biodiesel Producer Tax Credit. The BTC and the Small Agri-biodiesel Producer Tax Credit were retroactively extended for 2018 and 2019 on December 20, 2019 and further extended through December 31, 2022. This tax benefit was recorded in the Company's fourth quarter 2019 results. See Note 3 for a discussion of the impact of the BTC for the years ended December 31, 2020, 2019, and 2018. The 2019 effective tax rate was also favorably impacted by the Company being granted a retroactive research and development credit for a prior year in the state of Arkansas where it does significant business. Additionally, the Company's 2019 effective tax rate reflected a one-time benefit from state legislation enacted during the year which applied a lower tax rate to future reversals of deferred tax liabilities.

The Company's unrecognized tax benefit totaled \$0 at December 31, 2020 and 2019.

#### 2019 COMPARED TO 2018

Consolidated sales revenue decreased 30% or \$85,792 in 2019 compared to 2018. This decrease primarily resulted from lower sales volumes in both the biofuel and chemical segments and the

reinstatement of the BTC for 2018 and 2019 credited to customers in 2019 in the amount of \$39,423 (see Note 3 of our consolidated financial statements for further details).

Gross profit increased \$741 in 2019 compared to 2018. This increase was primarily attributable to the December 2019 reinstatement of the biodiesel BTC for 2018 and 2019, amounting to \$57,872, (see Note 3 of our consolidated financial statements for further details) and the impact of adjustments in the carrying value of our inventory as determined using the LIFO method of inventory accounting. The LIFO adjustment increased gross profit \$2,490 in 2019 as compared to decreased gross profit of \$2,249 in 2018. The change in LIFO did not result in a lower of cost or market adjustment in 2019 or 2018. These increases were mostly offset by: i) the decreased selling price and volume in the biofuel segment; ii) decreased volumes in the chemical segment from the agrochemical and energy markets; and iii) the change in the derivative activity, which decreased gross profit \$1,301 in 2019 as compared to increased gross profit \$633 in 2018.

Operating expenses decreased \$1,129 in 2019 compared to 2018. This decrease was primarily the result of lower compensation expense and research and development expense.

Other income increased \$17,748 in 2019 primarily from the change in the mark-to-market on equity securities and an increase in interest and dividend income of \$876. In 2019, the mark-to-market change was a gain of \$6,283 and in 2018 the mark-to-market change was a loss of \$13,238. Partially offsetting this increase was the loss on equity securities sold of \$1,837 in 2019 as compared to a gain of \$1,054 in 2018.

#### Income tax benefit (provision)

The income tax benefit in 2019 was \$8,386 or an effective tax rate of (10.5%) as compared to a provision of (\$7,019) or an effective tax rate of 11.7% in 2018.

The Company's effective tax rate for the year 2019 reflected the positive effect of the reinstatement of certain tax credits and incentives for 2018 and 2019, the most significant of which was the BTC and Small Agri-biodiesel Producer Tax Credit. The BTC and the Small Agri-biodiesel Producer Tax Credit were retroactively extended for 2018 and 2019 on December 20, 2019 and further extended through December 31, 2022. This tax benefit was recorded in the Company's fourth quarter 2019 results. See Note 3 to our consolidated financial statements for a discussion of the impact of the BTC for the years ended December 31, 2019 and 2018. The 2019 effective tax rate was also favorably impacted by a retroactive research and development credit for a prior year in the state of Arkansas. Additionally, the Company's effective tax rate reflected a one-time benefit from state legislation enacted during the year which applied a lower tax rate to future reversals of deferred tax liabilities.

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

The Company's unrecognized tax benefit totaled \$0 and \$2,804 at December 31, 2019 and 2018, respectively.

## Chemicals Segment

(Dollars in thousands)

	2020 Compared to 2019:				2019 Compared to 2018:			
	2020	2019	Change		2019	2018	Change	
			\$	%			\$	%
Sales	\$ 79,178	\$ 104,827	\$ (25,649)	(24.5%)	\$ 104,827	\$ 117,128	\$ (12,301)	(10.5%)
Volume/product mix effect			(27,761)	(26.5%)			(12,519)	(10.7%)
Price effect			2,112	2.0%			218	0.2%
Gross profit	\$ 25,518	\$ 29,923	\$ (4,405)	(14.7%)	\$ 29,923	\$ 33,986	\$ (4,063)	(12.0%)

### 2020 COMPARED TO 2019

Chemical sales revenue decreased 24.5% or \$25,649 in 2020 compared with 2019. Sales revenue for our custom chemicals product line (chemicals produced for specific customers) totaled \$63,894, a decrease of \$27,068 from 2019. This decrease was primarily driven by: i) an agrochemical product we no longer manufacture of \$15,256; ii) a slowdown in near-term business in both automotive and energy related applications resulting from COVID-19 of approximately \$8,000; and iii) the phase out of a laundry detergent additive of \$6,886. Partially offsetting these declines was the contract revenue of \$2,896 upon the termination of a custom chemical contract which expired (see Note 2 of the consolidated financial statements). Performance chemicals revenue (comprised of multi-customer products which are sold based on specification) was \$15,284 in 2020, an increase of \$1,419 from 2019. This increase resulted from higher sales volumes of our glycerin and was partially offset by reduced sales volumes of our polymer modifier, primarily from COVID-19 weakened effects in the carpet industry.

Gross profit for the chemicals segment decreased 14.7% or \$4,405 in 2020 compared with 2019. This decrease resulted primarily from volume effects resulting from COVID-19 in the automotive, energy, textile applications and the absence of an herbicide intermediate product we no longer make. Partially offsetting the decrease was the benefit of the recognition of contract revenue of \$2,896 upon the termination of a custom contract that was not renewed 12/31/2020.

### 2019 COMPARED TO 2018

Chemical sales revenue decreased 11% or \$12,301 in 2019 compared with 2018. Sales revenue for our custom chemicals product line (chemicals produced for specific customers) totaled \$90,962, a decrease of \$6,784 from 2018. This decrease was primarily attributed to decreased sales volumes in the agrochemical and energy markets and reduced sales volumes of our laundry detergent additive. Our contract for sales of the laundry detergent additive terminated in December 2020; however, this customer declined to order any laundry detergent additive after 2019. We continue to pursue other customers for this product. However, we believe it will be a challenge to find a profitable market for this product. Performance chemicals revenue (comprised of multi-customer products which are sold based on specification) was \$13,865 in 2019, a decrease of \$5,517 from 2018. This decrease resulted from reduced sales volumes of our polymer modifier and reduced selling price and volume of glycerin.

Gross profit for the chemicals segment decreased 12% or \$4,063 in 2019 compared with 2018. This decrease resulted from lower sales volumes in the consumer product, agrochemical and energy markets and polymer modifier and glycerin. Partially offsetting the decrease was the change in adjustments in the carrying value of our inventory as determined using the LIFO method of inventory accounting resulting primarily from deflation experienced in 2019 and inflation experienced in 2018. The change in LIFO increased gross profit in 2019 by \$780 and reduced gross profit by \$422 in 2018.

## Biofuel Segment

(Dollars in thousands)

	2020 Compared to 2019:				2019 Compared to 2018:			
	2020	2019	Change		2019	2018	Change	
			\$	%			\$	%
Sales	\$ 125,327	\$ 100,399	\$ 24,928	24.8%	\$ 100,399	\$ 173,890	\$ (73,491)	(42.3%)
Volume/product mix effect			22,024	21.9%			(41,436)	(23.8%)
Price effect			2,904	2.9%			(32,055)	(18.4%)
Gross profit	\$ 5,789	\$ 44,216	\$ (38,427)	(86.9%)	\$ 44,216	\$ 39,412	\$ 4,804	12.2%

## 2020 COMPARED TO 2019

Biofuels sales revenue increased \$24,928 in 2020 compared to 2019, primarily from increased sales volumes of biodiesel and biodiesel blends. Sales volumes improved on greater availability of feedstocks with the BTC in law during 2020. Revenue was also improved by the reduction of rebates to customers (shown as a price effect) of \$2,017 in 2020 as compared to \$39,423 in 2019 (see Note 3 of the consolidated financial statements for further information).

A portion of our biodiesel sold was to one major refiner in the United States in 2020 and 2019. No assurances can be given that we will continue to sell to such major refiners, or, if we do sell, the volume we will sell or the profit margin we will realize. We do not believe that the loss of this customer would have a material adverse effect on our biofuels segment or on us as a whole in that: (i) unlike our custom manufacturing products, biodiesel is a commodity with a large potential customer base; (ii) we believe that we could readily sell our biodiesel to other customers as potential demand from other customers for biodiesel exceeds our production capacity; (iii) our sales to this customer are not under fixed terms and the customer has no fixed obligation to purchase any minimum quantities except as stipulated by short term purchase orders; and (iv) the prices we receive from this customer are based upon then-market rates, as would be the case with sales of this commodity to other customers.

Biofuels gross profit decreased \$38,427 in 2020 compared to 2019. Gross profit compared to 2019 primarily decreased due to the recognition of the 2018 BTC for \$31,301 which was retroactively reinstated on December 20, 2019. See Note 3 of the consolidated financial statements for additional discussion. Gross profit was also unfavorably impacted by lower margins from COVID-19 weakened effects on the transportation market in 2020 as compared to 2019. Partially benefiting gross profit in 2020 was the change in the realized and unrealized activity of derivative instruments in comparison to the prior year with a gain of \$4,379 as compared to a loss of \$1,301 in 2019.

## 2019 COMPARED TO 2018

Biofuels sales revenue decreased 42% or \$73,491 in 2019 compared to 2018, primarily from decreased sales volumes of biodiesel and biodiesel blends given the challenging market without the BTC in effect and the increased number of RIN waivers granted. Revenue was also reduced by the recognition of rebates (shown as a price effect) owed to customers of \$39,423 in 2019 as compared to \$13,599 in 2018 (see Note 3 of the consolidated financial statements for further information).

A portion of our biodiesel sold was to one major refiner in the United States in 2019 and four major refiners in 2018. No assurances can be given that we will continue to sell to such major refiners, or, if we do sell, the volume we will sell or the profit margin we will realize. We do not believe that the loss of these customers would have a material adverse effect on our biofuels segment or on us as a whole in that: (i) unlike our custom manufacturing products, biodiesel is a commodity with a large potential customer base; (ii) we believe that we could readily sell our biodiesel to other customers as potential demand from other customers for biodiesel exceeds our production capacity; (iii) our sales to this customer are not under fixed terms and the customer has no fixed obligation to purchase any minimum quantities except as stipulated by short

term purchase orders; and (iv) the prices we receive from this customer are based upon then-market rates, as would be the case with sales of this commodity to other customers.

Biofuels gross profit increased \$4,804 in 2019 compared to 2018. Cost of goods sold decreased largely as a result of the 2018 and 2019 BTC (which was retroactively reinstated on December 20, 2019) in 2019 compared to 2018, when the 2017 BTC was retroactively reinstated on February 9, 2018. See Note 3 of the consolidated financial statements for additional discussion. Gross profit also benefited from the change in adjustments in the carrying value of our inventory as determined using the LIFO method of inventory accounting. The LIFO reserve for the biofuel segment decreased \$1,711 in 2019 and increased \$1,828 in 2018. Gross profit was reduced by the change in the realized and unrealized activity of derivative instruments in comparison to the prior year with a loss of \$1,301 in 2019 and a gain of \$633 in 2018.

## Critical Accounting Policies and Practices

### Allowance for Doubtful Accounts

We reduce our accounts receivable by amounts that may be uncollectible in the future. This estimated allowance is based upon management's evaluation of the collectability of individual invoices and is based upon management's evaluation of the financial condition of our customers and historical bad debt experience. This estimate is subject to change based upon the changing financial condition of our customers. At December 31, 2020 and 2019, we recorded an allowance for doubtful accounts of \$63 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. We monitor the estimated useful lives of our assets.

### Indefinite-lived intangible asset

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



### Asset Retirement Obligations

We establish reserves for closure/post-closure costs associated with the environmental and other assets we maintain. Environmental assets include waste management units, such as a chemical waste destructor, storage tanks, and boilers. When these types of assets are constructed or installed, a reserve is established for the future costs anticipated to be associated with the closure of the site based on an expected life of the environmental assets, the applicable regulatory closure requirements, and our environmental policies and practices. These expenses are charged into earnings over the estimated useful life of the assets. The future costs anticipated to be associated with the closure of the site are based upon estimated current costs for such activities adjusted for anticipated future inflation rates. Unanticipated changes in either of these two variables or changes in the anticipated timing of closure/post-closure activities may significantly affect the established reserves. As of December 31, 2020, and December 31, 2019, we recorded a reserve for closure/post-closure liabilities of \$1,331 and \$1,288, 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

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

Certain long-term contracts had an upfront non-refundable payment considered a material right. The Company applied the renewal option approach in allocating the transaction price to the material right. For each of these contracts, the Company estimated the expected contractual volumes to be sold at the most likely expected sales price as a basis for allocating the transaction price to the material right. Each estimate will be updated quarterly on a prospective basis. These custom chemical contracts have payment terms of 30 days. See Notes 2 and 4 of our consolidated financial statements for additional discussion.

For most product sales, revenue is recognized when product is shipped from our facilities and when control has transferred to the customer, which is in accordance with our customer contracts and the stated shipping terms. Nearly all custom manufactured products are manufactured under written master service agreements. Performance chemicals and biodiesel are generally sold pursuant to the terms of written purchase orders. In general, customers do not have any rights of return, except for quality disputes. All of our products are tested for quality before shipment, and historically returns have been inconsequential. We do not offer rebates, except those related to the BTC.

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

Revenue from bill-and-hold transactions in which a performance obligation exists is recognized when the total performance obligation has been met and control of the product has transferred. Bill-and-hold transactions for 2020 and 2019 were related to custom chemicals customers whereby revenue was recognized in accordance with contractual agreements based upon product being produced and ready for use by the customer. These sales were subject to written monthly purchase orders with agreement that production was reasonable. The product was custom manufactured and stored at the customer's request and could not be sold to another buyer. Credit and payment terms for bill-and-hold customers are similar to other custom chemicals customers. Sales revenue under bill-and-hold arrangements were \$32,779, \$51,700, and \$44,924 for the years ended December 31, 2020, 2019, and 2018, respectively. At December 31, 2020 and 2019, \$2,628 and \$3,255, respectively, was included in revenue for products that had not been shipped. These amounts do not include Contract Assets of \$808 and \$1,067 that have not been billed nor shipped at December 31, 2020 and 2019, respectively.

Taxes collected from customers and remitted to governmental authorities are recorded on a net basis within cost of goods sold. Shipping and handling fees related to sales transactions were billed to customers and recorded as sales revenue.

### Income Taxes

The provision for (benefit from) income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for (benefit from) income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

The Company recognizes income tax positions that meet the more likely than not threshold and accrues interest related to unrecognized income tax positions which is recorded as a component of the income tax provision.

### Liquidity and Capital Resources

Our net cash provided by (used in) operating activities, investing activities, and financing activities for the years ended December 31, 2020, 2019, and 2018 are set forth in the following table.

(Dollars in thousands)

	2020	2019	2018
Net cash provided by operating activities	\$ 96,403	\$ 34,638	\$ 85,613
Net cash provided by investing activities	\$ 474	\$ 4,219	\$ 25,406
Net cash used in financing activities	\$ (142,086)	\$ (10,498)	\$ (10,674)

## Operating Activities

Cash provided by operating activities increased from \$34,638 in 2019 to \$96,403 in 2020, a net increase of \$61,765. This increase was attributed to the decrease in accounts receivable, including accounts receivable – related parties, of \$188,769; the 2019 balance included the BTC of \$97,295. Primarily offsetting the increase in cash from operations was: (i) the decrease in accounts payable, including accounts payable – related parties, of \$90,092, \$39,423 of rebates owed to customers for the BTC and (ii) the decrease in net income in 2020 compared to 2019 of \$41,617.

Cash provided by operating activities decreased from \$85,613 in 2018 to \$34,638 in 2019, a net decrease of \$50,975. This decrease was attributed to: (i) the increase in accounts receivable, including accounts receivable – related parties, of \$100,728, inclusive of the BTC of \$97,295 for 2019 and 2018 and (ii) the increase in the fair value of equity securities of \$19,521. Primarily offsetting the decrease in cash from operations was: (i) the increase in accounts payable, including accounts payable – related parties, of \$39,270, \$39,423 of credit to customer for the BTC and (ii) the increase in net income in 2019 compared to 2018 of \$35,023.

## Investing Activities

Cash provided by investing activities was \$474 in 2020 compared to \$4,219 in 2019 for a net decrease in cash from investing activities of \$3,745. This decrease was primarily attributable to a \$6,558 decrease in the net sales of marketable securities in 2020 compared to the net sales of marketable securities in 2019. Such net sales totaled \$4,730 in 2020, as compared to total net sales of \$11,288 in 2019. Reduced capital expenditures increased cash from investing activities by \$2,507.

Cash provided by investing activities was \$4,219 in 2019 compared to \$25,406 in 2018 for a net decrease in cash from investing activities of \$21,187. This decrease was primarily attributable to a \$17,283 decrease in the net sales of marketable securities in 2019 compared to the net sales of marketable securities in 2018. Such net sales totaled \$11,288 in 2019, as compared to total net sales of \$28,571 in 2018. The net decrease in cash from investing activities was also impacted by the increase in the cash used in capital expenditures of \$2,104.

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

	2020	2019	2018
Cash paid for capital expenditures	\$ 4,464	\$ 6,971	\$ 4,867
Cash received from customers as reimbursement of capital expenditures*	\$ (2,040)	\$ (4,728)	\$ (2,659)
Cash paid for capital expenditures, net of customer reimbursements	\$ 2,424	\$ 2,243	\$ 2,208

\*This receipt of cash was reported as an increase in deferred revenue in cash flows from operations (see Note 4 of the consolidated financial statements for further discussion).

## Financing Activities

Cash used in financing activities increased from \$10,498 in 2019 to \$142,086 in 2020, a net increase of \$131,588. This increase resulted from the payment of special dividends in 2020 of \$131,230.

Cash used in financing activities decreased from \$10,674 in 2018 to \$10,498 in 2019, a net decrease of \$176. This decrease was due to the decrease in the minimum tax withholding on stock compensation in 2019 compared to 2018.

## Capital Expenditure Commitments

We had no material capital projects that generated commitments as of December 31, 2020.

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

## Credit Facility

On March 30, 2020, FutureFuel, with FutureFuel Chemical as the borrower and certain of FutureFuel's other subsidiaries as guarantors, amended and restated its credit agreement (the "Credit Agreement") originally entered into on April 16, 2015 (as amended, the "Prior Credit Agreement") with the lenders party, Regions Bank as administrative agent and collateral agent, and PNC Bank, N.A., as syndication agent. The Credit Agreement consists of a five-year revolving credit facility in a dollar amount of up to \$100,000, which includes a sublimit of \$30,000 for letters of credit and \$15,000 for swingline loans (collectively, the "Credit Facility"). The Credit Facility expires on March 30, 2025. The primary amendments from the Prior Credit Agreement were a reduction in the facility's credit limit by \$65,000, a reduction in the facility's applicable interest rate by 0.25%, a reduction in the commitment fee, and elimination of the minimum consolidated fixed charge coverage ratio.

We will be permitted to use net proceeds of any borrowings under the Credit Facility for working capital and other general corporate purposes. No borrowings were made under the Credit Agreement or the Prior Credit Agreement as of December 31, 2020 and 2019. See Note 13 of the consolidated financial statements for additional information regarding our Credit Agreement.

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

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

We do not expect the transition from LIBOR to have a material impact on our credit facility or any new agreement we might enter into.

Consolidated Leverage Ratio	Adjusted LIBOR Rate Loans and Letter of Credit Fee	Base Rate Loans	Commitment Fee
< 1.00:1.0	1.00%	0.00%	0.15%
≥ 1.00:1.0 and < 1.50:1.0	1.25%	0.25%	0.15%
≥ 1.50:1.0 and < 2.00:1.0	1.50%	0.50%	0.20%
≥ 2.00:1.0 and < 2.50:1.0	1.75%	0.75%	0.20%
≥ 2.50:1.0	2.00%	1.00%	0.25%

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

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

### Dividends

In 2020, we paid regular cash dividends aggregating \$0.24 per share on our common stock with record dates and payment dates as previously discussed. The regular cash dividends totaled \$10,498. On March 23, 2020, we also declared a special cash dividend of \$3.00 per share on our common stock. This special cash dividend paid on April 17, 2020, amounted to \$131,230. Total cash dividends paid in 2020 were \$141,728. On December 3, 2020, we declared normal quarterly dividends of \$0.06 per share on our common stock with record dates and payment dates as previously discussed. Dividends declared, but not paid, were accrued at December 31, 2020.

In 2019, we paid regular cash dividends aggregating \$0.24 per share on our common stock with record dates and payment dates as previously discussed. The regular cash dividends totaled \$10,498. Dividends declared, but not paid, were accrued at December 31, 2019.

In 2018, we paid regular cash dividends aggregating \$0.24 per share on our common stock with record dates and payment dates as previously discussed. The regular cash dividends totaled \$10,498. On November 19, 2018, we declared normal quarterly dividends of \$0.06 per share on our common stock with record dates and payment dates as previously discussed. Dividends declared, but not paid, were accrued at December 31, 2018.

### Capital Management

As a result of positive operating results, we accumulated excess working capital. 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 2020, we also had investments in certain preferred stock and other equity instruments measured at fair value and changes in fair value recognized in net income. We also hold certain trust preferred securities. We classify these investments as current assets in the accompanying consolidated balance sheets and designate them as being “available-for-sale”. Accordingly, they are recorded at fair value with the unrealized gains and losses, net of taxes, reported as a component of stockholders’ equity. The fair value of these preferred stock, trust preferred securities, and other equity instruments, including accrued dividends and interest, totaled \$3,940 as of December 31, 2020. The fair value of preferred stock, trust preferred securities, exchange traded debt, and other equity instruments, including accrued dividends and interest, totaled \$5,479 as of December 31, 2019.

The unrealized losses on equity securities were \$247 for 2020; unrealized gains on equity securities were \$6,281 for 2019.

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 consolidated balance sheets at December 31, 2020 and 2019. Second, we hedge our biofuels feedstock through the execution of purchase contracts and supply agreements with certain vendors which meet the normal purchase and normal sales exception of ASC 815 *Derivatives and Hedging*. These hedging transactions are recognized in earnings and do not qualify as a hedge accounting treatment on our consolidated balance sheets at December 31, 2020 or 2019, as they do not meet the definition of a hedge instrument as defined under GAAP. The purchase of biofuels feedstock generally involves two components: basis and price. Basis covers any refining or processing required as well as transportation. Price covers the purchases of the actual agricultural commodity. Both basis and price fluctuate over time. A supply agreement with a vendor constitutes a hedge when we have committed to a certain volume of feedstock in a future period and have fixed the basis for that volume.

### CONTRACTUAL OBLIGATIONS

Purchase obligations include the purchase of biodiesel feedstock and various other infrastructure and capital repairs as follows:

Less than 1 year	\$ 9,584
1–3 years	925
4–5 years	6
More than 5 years	-
Total	\$ 10,515

A component of other noncurrent liabilities is a reserve for asset retirement obligations and environmental contingencies of \$1,331 at December 31, 2020. 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 Topic 815, *Derivatives and Hedging*. Under this standard, the accounting for changes in the fair value of a derivative instrument depends upon whether it has been designated as an accounting hedging relationship

and, further, on the type of hedging relationship. To qualify for designation as an accounting hedging relationship, specific criteria must be met and appropriate documentation maintained. We had no derivative instruments that qualified under these rules as designated accounting hedges in 2020 or 2019. Changes in the fair value of our derivative instruments are recognized at the end of each accounting period and recorded in the consolidated statement of operations as a component of cost of goods sold.

Our immediate recognition of derivative instrument gains and losses can cause net income to be volatile from period to period due to the timing of the change in value of the derivative instruments relative to the sale of biofuel being sold. As of December 31, 2020 and 2019, the fair values of our derivative instruments were in an asset (liability) position in the amount of \$124 and (\$267), 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 2020. We included only those raw materials and conversion costs for which a hypothetical adverse change in price would result in a 1% or greater decrease in gross profit. Assuming that the prices of the associated finished goods could not be increased and assuming no change in quantities sold, a hypothetical 10% change in the average price of the commodities listed below would result in the following change in annual gross profit.

(Volumes and dollars in thousands)

Item	Volume Requirements <sup>(a)</sup>	Units	Hypothetical Adverse Change in Price	Decrease in Gross Profit	Percentage Decrease in Gross Profit
Biodiesel feedstocks	60,648	GAL	10%	\$ 12,162	38.8%
Methanol	11,743	GAL	10%	\$ 1,020	3.3%
Electricity	102	MWH	10%	\$ 534	1.7%
Sodium Methylate	12,722	LB	10%	\$ 418	1.3%

(a) Volume requirements and average price information are based upon volumes used and prices obtained for the twelve months ended December 31, 2020. Volume requirements may differ materially from these quantities in future years as our business evolves.

We had no borrowings as of December 31, 2020 or 2019, 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

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### FINANCIAL STATEMENTS

The following sets forth our consolidated balance sheets as at December 31, 2020 and 2019, and our consolidated statements of income and comprehensive income, statements of cash flows, and statements of changes in stockholders' equity for each of the three years in the period ended December 31, 2020, together with RSM US LLP's report on the year ended December 31, 2020, and December 31, 2019, and RubinBrown LLP's report on the year ended December 31, 2018.

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

#### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of FutureFuel Corp. and its subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, cash flows, and change in stockholders' equity for each of the two years in the period ended December 31, 2020, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 16, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

#### Basis for Opinion

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

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

#### Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### Other income – Legal Resolution of Contractual Matter

As described in Note 24 to the consolidated financial statements, the Company recorded other income of \$8.35 million related to the legal resolution of a contractual matter. The Company consulted legal counsel to support the legal resolution. The application of the legal resolution to certain contracts required management judgment. We identified the resolution of this contractual matter as a critical audit matter because auditing management's conclusion and resultant recognition of other income involved significant auditor effort and judgment due to the legal nature of the matter.

Our audit procedures related to the Company's accounting for the legal resolution of this contractual matter included the following, among others:

- We obtained an understanding of the relevant controls over management's accounting, and related financial reporting disclosure for the legal resolution of contractual matters and tested such controls for design and operating effectiveness.
- We obtained and evaluated legal counsel's correspondence provided to the Company on the matter, verbally discussed the facts with management and legal counsel to verify our understanding of the legal resolution.
- We obtained a sample of contracts related to the legal matter and performed the following procedures:
  - Read contracts for each selection
  - Agreed key terms and inputs to supporting schedules
  - Tested the mathematical accuracy of the calculations
- We involved a subject matter professional to assist in analyzing the accounting treatment and adherence to applicable disclosure requirements.

/s/RSM US LLP

We have served as the Company's auditor since 2019.

St. Louis, Missouri

March 16, 2021

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinion on the Financial Statements

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

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 15, 2019, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### Adoption of New Accounting Pronouncements

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for revenue in 2018 due to the adoption of ASC Topic 606, *Revenue from Contracts with Customers*. As discussed in Note 2 to the consolidated financial statements, the Company changed how changes in the fair value of equity security investments are recognized in 2018 due to the adoption of ASU 2016-01, *Financial Instruments – Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Liabilities*.

### Basis for Opinion

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

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

We served as the Company's auditor from 2007 to 2018.

/s/RubinBrown LLP

Denver, Colorado

March 15, 2019

## CONSOLIDATED BALANCE SHEETS

As of December 31, 2020 and 2019

(Dollars in thousands)

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 198,122	\$ 243,331
Accounts receivable, inclusive of the blenders' tax credit of \$8,300 and \$97,295, and net of allowances for bad debt of \$63 and \$0, respectively	21,387	110,264
Accounts receivable – related parties	1,426	4,602
Inventory	33,889	37,573
Income tax receivable	17,668	8,062
Prepaid expenses	3,967	1,932
Prepaid expenses – related parties	-	12
Marketable securities	64,404	73,620
Other current assets	1,742	1,493
Total current assets	342,605	480,889
Property, plant and equipment, net	91,544	98,597
Intangible assets	1,408	1,408
Other assets	5,747	5,611
Total noncurrent assets	98,699	105,616
<b>Total assets</b>	<b>\$ 441,304</b>	<b>\$ 586,505</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable, inclusive of the blenders' tax credit rebates due customers of \$1,116 and \$39,423, respectively	\$ 12,453	\$ 61,299
Accounts payable – related parties	984	1,255
Deferred revenue – current	3,976	5,237
Dividends payable	10,498	10,498
Accrued expenses and other current liabilities	5,077	4,410
Accrued expenses and other current liabilities – related parties	-	64
Total current liabilities	32,988	82,763
Deferred revenue – non-current	21,861	21,291
Noncurrent deferred income tax liability	12,332	12,965
Other noncurrent liabilities	2,240	2,388
Total noncurrent liabilities	36,433	36,644
Total liabilities	69,421	119,407
Commitments and contingencies:		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.0001 par value, 75,000,000 shares authorized, 43,743,243 issued and outstanding as of December 31, 2020 and 2019	4	4
Accumulated other comprehensive income	208	296
Additional paid in capital	282,215	282,166
Retained earnings	89,456	184,632
Total stockholders' equity	371,883	467,098
<b>Total liabilities and stockholders' equity</b>	<b>\$ 441,304</b>	<b>\$ 586,505</b>

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

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Years Ended December 31, 2020, 2019, and 2018

(Dollars in thousands, except per share amounts)

	2020	2019	2018
Revenue	\$ 202,529	\$ 202,048	\$ 286,949
Revenue – related parties	1,976	3,178	4,069
Cost of goods sold	158,730	107,028	191,859
Cost of goods sold – related parties	6,890	16,945	19,495
Distribution	7,401	6,933	6,075
Distribution – related parties	177	181	191
<b>Gross profit</b>	<b>31,307</b>	<b>74,139</b>	<b>73,398</b>
Selling, general, and administrative expenses			
Compensation expense	2,760	3,028	3,809
Other expense	2,600	1,904	1,936
Related party expense	620	707	690
Research and development expenses	2,988	3,191	3,524
<b>Total operating expenses</b>	<b>8,968</b>	<b>8,830</b>	<b>9,959</b>
<b>Income from operations</b>	<b>22,339</b>	<b>65,309</b>	<b>63,439</b>
Interest and dividend income	5,648	10,050	9,183
Interest expense	(151)	(173)	(173)
(Loss) gain on marketable securities	(4,375)	4,619	(12,011)
Other income (expense)	8,317	(10)	(261)
<b>Other income (expense)</b>	<b>9,439</b>	<b>14,486</b>	<b>(3,262)</b>
Income before income taxes	31,778	79,795	60,177
Income tax (benefit) provision	(14,786)	(8,386)	7,019
<b>Net income</b>	<b>\$ 46,564</b>	<b>\$ 88,181</b>	<b>\$ 53,158</b>
<b>Earnings per common share</b>			
Basic	\$ 1.06	\$ 2.02	\$ 1.22
Diluted	\$ 1.06	\$ 2.02	\$ 1.22
<b>Weighted average shares outstanding</b>			
Basic	43,743,243	43,743,243	43,725,333
Diluted	43,744,150	43,744,676	43,731,192
<b>COMPREHENSIVE INCOME</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net income	\$ 46,564	\$ 88,181	\$ 53,158
Other comprehensive (loss) income from unrealized net (losses) gains on available-for-sale debt securities	(111)	400	(229)
Income tax effect	23	(84)	49
Total unrealized (losses) gains, net of tax	(88)	316	(180)
<b>Comprehensive income</b>	<b>\$ 46,476</b>	<b>\$ 88,497</b>	<b>\$ 52,978</b>

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



## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020, 2019, and 2018

(Dollars in thousands)

	2020	2019	2018
<b>Cash flows from operating activities</b>			
Net income	\$ 46,564	\$ 88,181	\$ 53,158
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	11,150	12,087	11,227
Amortization of deferred financing costs	108	144	144
Benefit for deferred income taxes	(610)	(5,145)	(1,253)
Change in fair value of equity securities	246	(6,281)	13,238
Change in fair value of derivative instruments	(390)	(30)	(2,130)
Loss (gain) on the sale of investments	4,129	1,662	(1,227)
Stock based compensation	49	21	357
(Gain) loss on disposal of property and equipment	31	(11)	41
Noncash interest expense	43	29	28
Changes in operating assets and liabilities:			
Accounts receivable	88,865	(93,970)	5,679
Accounts receivable – related parties	3,176	(2,758)	(1,679)
Inventory	3,684	1,723	4,458
Income tax receivable	(9,606)	(1,204)	79
Prepaid expenses	(2,035)	(165)	(107)
Prepaid expenses – related party	12	-	-
Other assets	658	206	(342)
Accounts payable	(48,639)	41,453	1,243
Accounts payable – related parties	(271)	(434)	506
Accrued expenses and other current liabilities	456	1,087	274
Accrued expenses and other current liabilities – related parties	(64)	64	-
Deferred revenue	(691)	1,628	(1,258)
Other noncurrent liabilities	(462)	(3,649)	3,177
<b>Net cash provided by operating activities</b>	<b>96,403</b>	<b>34,638</b>	<b>85,613</b>
<b>Cash flows from investing activities</b>			
Collateralization of derivative instruments	158	(111)	1,680
Purchase of marketable securities	(5,073)	(20,131)	(19,664)
Proceeds from the sale of marketable securities	9,803	31,419	48,235
Proceeds from the sale of property and equipment	50	13	22
Capital expenditures	(4,464)	(6,971)	(4,867)
<b>Net cash provided by investing activities</b>	<b>474</b>	<b>4,219</b>	<b>25,406</b>
<b>Cash flows from financing activities</b>			
Loan proceeds	8,180	-	-
Payment on loan	(8,180)	-	-
Minimum tax withholding on stock options exercised and awards vested	-	-	(176)
Deferred financing costs	(477)	-	-
Equipment financing proceeds	119	-	-
Payment of dividends	(141,728)	(10,498)	(10,498)
<b>Net cash used in financing activities</b>	<b>(142,086)</b>	<b>(10,498)</b>	<b>(10,674)</b>
Net change in cash and cash equivalents	(45,209)	28,359	100,345
Cash and cash equivalents at beginning of period	243,331	214,972	114,627
<b>Cash and cash equivalents at end of period</b>	<b>\$ 198,122</b>	<b>\$ 243,331</b>	<b>\$ 214,972</b>
Cash paid for interest	\$ 2	\$ -	\$ -
Cash paid for income taxes	\$ 661	\$ 2,372	\$ 9,182
Noncash investing and financing activities:			
Noncash capital expenditures	\$ -	\$ 207	\$ 420
Noncash operating leases	\$ 442	\$ 432	\$ -
Noncash items incurred for dividends	\$ 10,498	\$ 10,498	\$ 10,498

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

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2020, 2019, and 2018

(Dollars in thousands)

	Common Stock		Accumulated Other Comprehensive Income	Additional paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance – December 31, 2017 – As previously reported	43,741,670	\$ 4	\$ 8,433	\$ 281,964	\$ 61,195	\$ 351,596
Prior period adjustment: Change in accounting principles	-	-	(8,273)	-	3,094	(5,179)
Balance – January 1, 2018 – As adjusted	43,741,670	\$ 4	\$ 160	281,964	\$ 64,289	\$ 346,417
Dividends	-	-	-	-	(10,498)	(10,498)
Stock based compensation	1,573	-	-	357	-	357
Minimum tax withholdings on options and awards	-	-	-	(176)	-	(176)
Other comprehensive loss	-	-	(180)	-	-	(180)
Net income	-	-	-	-	53,158	53,158
Balance – December 31, 2018	43,743,243	\$ 4	\$ (20)	\$ 282,145	\$ 106,949	\$ 389,078
Dividends	-	-	-	-	(10,498)	(10,498)
Stock based compensation	-	-	-	21	-	21
Other comprehensive income	-	-	316	-	-	316
Net income	-	-	-	-	88,181	88,181
Balance – December 31, 2019	43,743,243	\$ 4	\$ 296	\$ 282,166	\$ 184,632	\$ 467,098
Prior period adjustment: Change in accounting principles	-	-	-	-	(12)	(12)
Balance – January 1, 2020 – As adjusted	43,743,243	\$ 4	\$ 296	282,166	\$ 184,620	\$ 467,086
Dividends	-	-	-	-	(141,728)	(141,728)
Stock based compensation	-	-	-	49	-	49
Other comprehensive income	-	-	(88)	-	-	(88)
Net income	-	-	-	-	46,564	46,564
Balance – December 31, 2020	43,743,243	\$ 4	\$ 208	\$ 282,215	\$ 89,456	\$ 371,883

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.**

(Dollars in thousands, except per share amounts)

**1) Description of business and operations**

FutureFuel Corp. (the “Company”) is a Delaware corporation with its wholly owned subsidiaries, FutureFuel Chemical Company; FFC Grain, L.L.C.; FutureFuel Warehouse Company, L.L.C.; and Legacy Regional Transport, L.L.C.

The Company’s sole operating facility is FutureFuel Chemical Company located in Batesville, Arkansas, a manufacturer of specialty and performance chemicals and biofuels.

**2) Significant accounting policies and basis of presentation****Financial presentation**

The consolidated financial statements of FutureFuel Corp. and subsidiaries are prepared in conformity with accounting principles generally accepted (“GAAP”) in the United States and include amounts that are based upon management estimates and judgments which could differ from actual future results. Intercompany transactions and balances are eliminated in consolidation. Certain reclassifications were made to prior year amounts to conform to the 2020 presentation.

**Cash and cash equivalents**

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

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

Accounts receivable are recorded at the invoiced amount and only bear interest if outstanding beyond the agreed upon payment terms. The Company has established procedures to monitor credit risk and has not experienced significant credit losses in prior years. Accounts receivable have been reduced by an allowance for amounts that may be uncollectible in the future. This estimated allowance is based upon management’s evaluation of the collectability of individual invoices and is based upon management’s evaluation of the financial condition of its customers and historical bad debt experience. Write-offs are recorded at the time a customer receivable is deemed uncollectible.

Accounts receivable at December 31, 2019 also includes amounts from the retroactive reinstatement of the biodiesel blenders’ tax credit (“BTC”) passed in law in December 2019. See Note 3 for details.

**Customer concentrations**

For the twelve months ended December 31, 2020, 2019, and 2018, significant portions of the Company’s sales were made to a relatively small number of customers. Sales to one biodiesel customer totaled \$25,460 (12% of total revenue) in 2020, \$22,351

(11% of total revenue) in 2019, and sales to two customers in 2018 totaled \$57,198 (20% of total revenue). Receivables for the customer at December 31, 2020 and 2019, was 2% and 0%, respectively.

No chemical customers represented a greater than 10% of total sales revenue in 2020. In 2019 and 2018, one customer and its affiliates, represented approximately 22%, and 27% of chemicals revenue (11%, and 11% of total revenues), respectively. We sell multiple products to various affiliates of this customer under both long-term and short-term contracts. One product contract was not renewed at December 31, 2020, representing 17%, 10%, and 12% of chemical revenue (7%, 5%, and 5% of total revenue) for 2020, 2019, and 2018, respectively. Another product contract was not renewed at December 31, 2019 representing 15% of chemical revenue in 2019 (7% of total revenue), and 14% of chemical revenue in 2018 (6% of total revenue).

**Inventory**

Inventories are valued at the lower of cost or market. The Company determines the cost of raw materials, work in process, and finished goods inventories by the last-in, first-out (“LIFO”) method. The cost of all other inventories is determined by the average cost method, which approximates the first-in, first-out (“FIFO”) method. The Company writes-down its inventories for estimated obsolescence or unmarketable inventory equal to the difference between the carrying value of inventory and the estimated market value based upon assumptions about future demand and market conditions.

**Derivative instruments**

The Company records all derivative instruments at fair value. Fair value is determined by using the closing prices of the derivative instruments on the New York Mercantile Exchange at the end of an accounting period. Changes in the fair value of derivative instruments are recognized at the end of each accounting period and recorded in the statement of income as a component of cost of goods sold.

In order to manage commodity price risk caused by market fluctuations in biofuel prices, future purchases of feedstock used in biodiesel production, physical feedstock, finished product inventories attributed to the process, and other petroleum products purchased or sold, the Company may enter into exchange-traded commodity futures and options contracts. The Company accounts for these derivative instruments in accordance with ASC 815-20-25, *Derivatives and Hedging*. Under this standard, the accounting for changes in the fair value of a derivative instrument depends upon whether it has been designated as an accounting hedging relationship and, further, on the type of hedging relationship. To qualify for designation as an accounting hedging relationship, specific criteria must be met and appropriate documentation maintained. The Company had no derivative instruments that qualified under these rules as designated accounting hedges in 2020 or 2019. The Company has elected the normal purchase and normal sales exception for certain feedstock purchase contracts and supply agreements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

**Marketable securities**

Investments consist of marketable equity and debt securities stated at fair value. The debt securities are designated as available-for-sale securities at the time of purchase based upon the intended holding period. Gains and losses from the sale of marketable securities and the changes in the fair value of equity securities are recognized as “gains (losses) on marketable securities” as a component of other income (expense) in the consolidated statements of income and comprehensive income. The cost basis used for all marketable securities is specific identification. Changes in the fair value of debt securities are recognized in “accumulated other comprehensive income” on the consolidated balance sheets, unless the Company determines that an unrealized loss is other-than-temporary. If the Company determines that an unrealized loss is other-than-temporary, the Company recognizes the loss as a component of other income (expense).

See Notes 7 and 8 for further information on marketable securities and fair value measurements.

**Fair value measurements**

The Company records recurring and non-recurring financial assets and liabilities as well as all non-financial assets and liabilities subject to fair value measurement at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. These fair value principles prioritize valuation inputs across three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company’s assumptions used to measure assets and liabilities at fair value. An asset or liability’s classification within the various levels is determined based on the lowest level input that is significant to the fair value measurement.

**Property, plant, and equipment**

Property, plant, and equipment is carried at cost. Maintenance and repairs are charged to earnings; replacements and betterments are capitalized. When the Company retires or otherwise disposes of an asset, it removes the cost of such asset and related accumulated depreciation from the accounts. The Company records any profit and loss on retirement or other disposition in earnings.

Depreciation expense is calculated based on historical cost and the estimated useful lives of the assets, generally using the straight-line method with the following useful lives:

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

**Intangible assets**

Intangible assets are carried at cost. Amortization expense for definite-lived intangible assets is generally determined using a straight-line method over the estimated useful life of the asset.

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

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

*Indefinite-lived intangible assets*

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

**Asset retirement obligations and environmental costs**

The Company establishes reserves for closure/post-closure costs associated with the environmental and other assets it maintains, which include, but are not limited to, waste management units, such as a chemical waste destructor, storage tanks, and boilers. When these types of assets are constructed or installed, a liability is established with a corresponding asset for the future costs anticipated to be associated with the closure of the site



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

based on an expected life of the environmental assets, the applicable regulatory closure requirements, and the Company's environmental policies and practices. These expenses are charged into earnings over the estimated useful life of the assets. Currently, the Company estimates the useful life of each individual asset up to 27 years. Changes made in estimates of the asset retirement obligation costs or the estimate of the useful lives of these assets are reflected in earnings as an increase or decrease in the period such changes are made.

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

### Litigation

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

### Revenue recognition

As of January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, and related subsequently issued ASUs ("Topic 606") using the modified retrospective approach, which resulted in a \$6,900 adjustment recognized through equity upon adoption. In accordance with Topic 606, the Company recognizes revenue when performance obligations of the customer contract are satisfied. The Company sells to customers through master sales agreements or standalone purchase orders. The majority of the Company's revenue is from short-term contracts with revenue recognized when a single performance obligation to transfer product under the terms of a contract with a customer is satisfied. Accordingly, the Company recognizes revenue when control is transferred to the customer, which is when products are considered to meet customer specification per the customer contract and title and risk of loss are transferred. This typically occurs at the time of shipment or delivery; or for certain contracts, this occurs upon delivery of the material to a Company storage location, ready for customer pickup and separated from other Company inventory. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products and is generally based upon a negotiated price. The Company sells its products directly to customers generally under agreements with payment terms of 30 to 75 days for chemical segment customers and 2 to 10 days for biofuels segment customers.

The Company applies the practical expedient and excludes the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less; and (ii) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed.

Revenue within the biofuel segment includes a reduction for customer rebate amounts from the retroactive reinstatement of the BTC passed in law in December 2019. See Note 3 for details. Also included is the revenue from biodiesel RINs upon the transfer of the RIN to the buyer. RINs are renewable identification numbers under the Renewable Fuel Standard ("RFS2") used to incent the use of renewable fuels domestically. RINs are generated at 1.5 RINs per gallon of biodiesel produced and sold. Revenue is recognized from RINs when transferred to the buyer in the government provided tracking system. No cost is incurred in the generation of a RIN.

Taxes collected from customers remitted to governmental authorities were excluded from revenue. Shipping and handling fees related to sales transactions were billed to customers and recorded as sales revenue. The accounting policies for taxes collected from customers and shipping and handling fees did not change with the adoption of Topic 606.

### Cost of goods sold and distribution

Cost of goods sold consists of raw and packaging materials, direct manufacturing costs, depreciation, analytical lab costs, inbound freight, purchasing, and other indirect costs necessary to manufacture products. Biodiesel cost of goods sold also includes a credit for the one dollar per gallon BTC for blending biodiesel with petroleum diesel when in law. This tax credit was not in law during 2017. In February 2018, the tax credit was retroactively reinstated for 2017. In December 2019, the tax credit was retroactively reinstated for all of 2018 and 2019. See Note 3 for further discussion.

Distribution expense includes outbound freight costs, depreciation of distribution equipment, and other indirect costs necessary to distribute product.

### Selling, general, and administrative expenses

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

### Research and development expenses

Research and development expenses include direct salaries, depreciation of equipment, material expenditures, contractor fees, and other indirect costs. All costs identified as research and development costs are charged to expense when incurred.

### Comprehensive income

Comprehensive income is comprised of net income and other comprehensive income (loss) ("OCI"). Comprehensive income comprises all changes in stockholders' equity from transactions

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

and other events and circumstances from non-owner sources. The Company's OCI comprises unrealized gains and losses resulting from its investments in marketable debt securities classified as available-for-sale (see Note 7).

Unrealized gains and losses are determined using the specific identification method and are classified in OCI.

**Income taxes**

The income tax (benefit) provision is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for (benefit from) income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax bases of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

The Company recognizes income tax positions that meet the more likely than not threshold and accrues interest related to unrecognized income tax positions, which is recorded as a component of the income tax provision.

**Recently adopted accounting standards**

The Company adopted ASU 2016-13, *Financial Instruments – Credit Losses, Measurement of Credit Losses on Financial Instruments* on January 1, 2020, on a modified retrospective approach. The amendments replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company recorded a \$12 reduction to opening retained earnings and an allowance for bad debt of \$12 on our consolidated financial statements.

**Recently issued accounting standards not yet adopted**

In December 2019 the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments simplify the accounting for income taxes by removing certain exceptions to the general principles of Topic 740, "Income Taxes" and improve consistent application by clarifying and amending existing guidance. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, with the amendments to be applied on a retrospective, modified retrospective or prospective basis, depending on the specific amendment.

The Company plans to adopt the new guidance effective January 1, 2021, with minimal impact.

**Other**

ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. Effective March 12, 2020, the guidance in the update is in response to concerns about structural risks of interbank offered rates (IBORs), and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR). Regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. This guidance will ease the accounting burden associated with transitioning away from reference rates that are expected to be discontinued within our credit facility as described in Note 13.

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

The BTC provides a one dollar per gallon tax credit to the blender of biomass-based diesel with at least 0.1% petroleum-based diesel fuel. When the tax credit is enacted and in effect, the Company is the blender of record and recognizes the credit as a reduction to cost of goods sold.

The Bipartisan Budget Act of 2018 was passed by Congress and signed into law on February 9, 2018, retroactively reinstating the BTC for 2017. As this act was passed into law in 2018, the Company recognized the 2017 impact within the Company's 2018 financial statements, which resulted in a gross profit of \$28,865.

The Further Consolidated Appropriations Act of 2020 was passed by Congress and signed into law on December 20, 2019, retroactively reinstating the BTC for 2018 and 2019 and extending it through December 31, 2022. As this act was passed into law in 2019, the Company recognized its impact in 2019 for both periods within the Company's 2019 financial results. The Company recorded a gross profit from the BTC of \$57,872, that was comprised of \$26,571 and \$31,301 for 2019 and 2018, respectively. The BTC was in law throughout 2020. Its impact was recognized as a component of gross profit in 2020 as applicable sales were made.

As part of each law from which the BTC mentioned above was reinstated, small agri-biodiesel producers with production capacity not in excess of 60 million gallons were eligible for an additional income tax credit of \$0.10 per gallon on the first 15 million gallons of agri-biodiesel sold (the "Small Agri-biodiesel Producer Tax Credit"). The Company was eligible for this credit and recognized \$1,500 for 2020, 2019, and 2018 in the same accounting period as the benefit from the BTC as described above. The benefit of this credit is recognized as a component of income tax (benefit) provision.

**4) Revenue recognition**

The majority of revenue is from short term contracts with revenue recognized when a single performance obligation to transfer product under the terms of a contract with a customer are satisfied.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

Certain of the Company's custom chemical contracts within the chemical segment contain a material right, as defined by Topic 606, from the provision of a customer option to purchase future goods or services at a discounted price as a result of upfront payments provided by customers. Each contract also has a performance obligation to transfer products with 30-day payment terms. The Company recognizes revenue when the customer takes control of the inventory, either upon shipment or when the material is made available for pick up. If the customer is deemed to take control of the inventory prior to pick up, the Company recognizes the revenue as a bill-and-hold transaction in accordance with Topic 606. The Company applies the renewal option approach in allocating the transaction price to these material rights and transfer of product. As a basis for allocating the transaction price to the material right and transfer of product, the Company estimates the expected life of the contract, the expected contractual volumes to be sold over that life, and the most likely expected sales price. Each estimate is updated quarterly on a prospective basis.

**Contract Assets and Liabilities**

Contract assets consist of unbilled amounts resulting from revenue recognized through bill-and-hold arrangements. The contract assets for 2020 and 2019 consist of unbilled revenue from only one customer and are recorded as accounts receivable in the consolidated balance sheets. Contract liabilities consist of advance payments related to material rights recorded as deferred revenue in the consolidated balance sheets. Increases to contract liabilities from cash received for a performance obligation of chemical segment plant expansions were \$4,051 and \$5,926 in 2020 and 2019, respectively. Contract liabilities are reduced as the Company transfers product to the customer under the renewal option approach. Revenue recognized in the chemical segment from the contract liability reductions were \$4,520 and \$4,077 in 2020 and 2019, respectively. These contract asset and liability balances are reported on the consolidated balance sheets on a contract-by-contract basis at the end of each reporting period.

The following table provides the balances of receivables, contract assets, and contract liabilities from contracts with customers.

**Contract balances**

Contract Assets and Liabilities	December 31,	
	2020	2019
Trade receivables, included in accounts receivable*	\$ 12,279	\$ 11,902
Contract assets, included in accounts receivable	808	1,067
Contract liabilities, included in deferred revenue – short-term	3,769	5,030
Contract liabilities, included in deferred revenue – long-term	17,943	17,151

\*Exclusive of the BTC of \$8,300 and \$97,295, respectively, and net of allowances for bad debt of \$63 and \$0, respectively, as of the dates noted.

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

As of December 31, 2020, approximately \$21,712 of revenue is expected to be recognized in the future from remaining performance obligations. The Company expects to recognize this revenue ratably based upon the expected sales over the expected term of its long-term contracts which range from three to six years. Approximately 17% of this revenue is expected to be recognized over the next 12 months, and 83% is expected to be recognized between one and six years. These amounts are subject to change based upon changes in the estimated contract life, estimated quantities, and most-likely expected sales price over the contract life. See Note 2 for further information.

Disaggregation of revenue – contractual and non-contractual	Twelve months ended December 31,	
	2020	2019
Contract revenue from customers with > 1 year arrangements	\$ 25,831	\$ 40,156
Contract revenue from customer with < 1 year arrangement	180,469	204,271
Revenue from non-contractual arrangements	222	222
BTC rebates	(2,017)	(39,423)
Total revenue	\$ 204,505	\$ 205,226

Timing of revenue	Twelve months ended December 31,	
	2020	2019
Bill-and-hold revenue	\$ 32,779	\$ 51,700
Non-bill-and-hold revenue	171,726	153,526
Total revenue	\$ 204,505	\$ 205,226

Bill-and-hold transactions consisted of two specialty chemical customers in 2020, and three in 2019 and 2018 whereby revenue was recognized in accordance with contractual agreements based on product produced, readied for use and loaded into customer provided containers. These sales were subject to written monthly purchase orders with revenue recognized upon production and loading into customer provided containers. The inventory was segregated from other Company inventory as it was custom manufactured and stored at the customer's request and could not be sold to another buyer. Credit and payment terms for bill-and-hold transactions are similar to other specialty chemical customers. Sales revenue under bill-and-hold arrangements totaled \$32,779, \$51,700, and \$44,924 for the years ended December 31, 2020, 2019, and 2018, respectively. For the years ended December 31, 2020 and 2019, \$2,628 and \$3,255, respectively, was included as revenue for products that had not been shipped. These balances do not include contract assets that have not been billed or shipped as described above.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

The Company's revenues for the years ended December 31, 2020, 2019, and 2018 attributable to the United States and foreign countries (based upon the billing addresses of its customers) were as follows.

	Twelve months ended December 31:		
	2020	2019	2018
United States	\$ 203,365	\$ 203,470	\$ 289,019
All foreign countries	1,140	1,756	1,999
Total	\$ 204,505	\$ 205,226	\$ 291,018

For the years ended December 31, 2020, 2019, and 2018, no revenues from a single foreign country were greater than 1% of total revenues.

### 5) Inventory

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

	2020	2019
At average cost (approximates current cost)		
Finished goods	\$ 15,452	\$ 22,564
Work in process	1,632	2,768
Raw and indirect materials	22,674	20,121
	39,758	45,453
LIFO reserve	(5,869)	(7,880)
Total inventory	\$ 33,889	\$ 37,573

In the years ended December 31, 2020 and 2019, a liquidation of inventory reduced cost of goods sold \$2,012 and \$2,491, respectively. There was no lower or cost of market adjustment for the years ended December 31, 2020 and 2019.

### 6) Derivative instruments

Realized and unrealized gains and losses on derivative instruments and changes in fair value of the derivative instruments are recorded

in the consolidated statements of income as a component of cost of goods sold and amounted to a gain of \$4,379, a loss of \$1,301, and a gain of \$633 for the years ended December 31, 2020, 2019, and 2018, respectively.

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

	Asset/ (Liability)			
	2020		2019	
	Contract Quantity Short	Fair Value	Contract Quantity Short	Fair Value
Regulated fixed price future commitments, included in other current assets	250	\$ 124	140	\$ (267)

The margin account maintained with a broker to collateralize these derivative instruments carried an account balance of \$933 and \$1,091 at December 31, 2020 and 2019, respectively, and is classified as other current assets in the consolidated balance sheet.

### 7) Marketable securities

At December 31, 2020 and 2019, the Company had investments in certain debt securities (trust preferred securities and exchange traded debt instruments as shown in the table below) and in preferred stock and other equity instruments which totaled \$64,404 and \$73,620, respectively. These investments are classified as current assets in the consolidated balance sheets. The Company has designated the debt securities as being available-for-sale. Accordingly, debt securities were recorded at fair value with the unrealized gains and losses, net of taxes, reported as a component of stockholders' equity. For the years ended December 31, 2020 and 2019, in accordance with ASC 321, the change in the fair value of equity securities (preferred and other equity instruments) was reported as (loss) gain on marketable securities as a component of net income in the amount of \$(246) and \$6,281, respectively.

FutureFuel's available-for-sale debt securities were comprised of the following at December 31, 2020 and 2019:

December 31, 2020				
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Trust preferred securities	\$ 3,676	\$ 264	\$ -	\$ 3,940
Total	\$ 3,676	\$ 264	\$ -	\$ 3,940
December 31, 2019				
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Trust preferred securities	\$ 3,676	\$ 250	\$ -	\$ 3,926
Exchange traded debt instruments	1,428	128	(3)	1,553
Total	\$ 5,104	\$ 378	\$ (3)	\$ 5,479



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

The aggregate fair value of debt securities with unrealized losses totaled \$0 and \$151 at December 31, 2020 and 2019, respectively. As of December 31, 2020, the Company had no debt securities that were in an unrealized loss position for greater than a 12-month period.

In 2020, 2019, and 2018, the Company recategorized a net gain of \$99, \$0, and \$0, respectively, from accumulated other comprehensive income to a component of net income as a result of sales of available-for-sale securities.

As of December 31, 2020, the contractual maturities of debt securities with an adjusted cost basis of \$3,676 and fair value of \$3,940 were greater than 10 years.

**8) Fair value measurements**

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

Marketable securities and derivative instruments were fair value measurements using inputs considered as Level 1. The Company had no Level 2 or Level 3 securities.

**9) Property, plant, and equipment**

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

	2020	2019
Land and land improvements	\$ 5,924	\$ 5,924
Buildings and building equipment	27,187	27,244
Machinery and equipment	179,923	176,772
Construction in progress	256	646
Accumulated depreciation	(121,746)	(111,989)
Total	\$ 91,544	\$ 98,597

Depreciation expense totaled \$11,150, \$12,087, and \$11,227 for the years ended December 31, 2020, 2019, and 2018, respectively.

**10) Intangible assets**

In April 2015, the Company acquired additional historical line space on a pipeline for \$1,408. The acquired line space was recorded as an intangible asset with an indefinite life as there was no foreseeable limit on the time period over which it is expected to contribute to cash flows. The carrying value of the asset was \$1,408 as of December 30, 2020 and 2019. The Company tested the intangible asset for impairment in accordance with Topic 350, *Intangibles – Goodwill and Other*, and no impairment was necessary for either period.

**11) Other assets**

Other assets primarily comprise supplies and parts which are not expected to be used in the twelve-month period subsequent to the consolidated balance sheet date. The balance related to these items totaled \$4,127 and \$4,054 at December 31, 2020 and 2019, respectively.

**12) Accrued expenses and other current liabilities**

Accrued expenses and other current liabilities consisted of the following at December 31:

	2020	2019
Accrued employee liabilities	\$ 2,609	\$ 2,534
Accrued property, franchise, motor fuel and other taxes	1,730	1,226
Lease liability, current	491	537
Other	247	113
Total	\$ 5,077	\$ 4,410

**13) Borrowings**

On March 30, 2020, FutureFuel, with FutureFuel Chemical as the borrower and certain of FutureFuel's other subsidiaries as guarantors, amended and restated its credit agreement (the "Credit Agreement") originally entered into on April 16, 2015 (as amended, the "Prior Credit Agreement") with the lenders party thereto, Regions Bank as administrative agent and collateral agent, and PNC Bank, N.A., as syndication agent. The Credit Agreement consists of a five-year revolving credit facility in a dollar amount of up to \$100,000, which includes a sublimit of \$30,000 for letters of credit and \$15,000 for swingline loans (collectively, the "Credit Facility"). The Credit Facility expires on March 30, 2025. The primary amendments from the Prior Credit Agreement were a reduction in the facility by \$65,000, a reduction in the facility's applicable interest rate by 0.25%, a reduction in the commitment fee, and elimination of the minimum consolidated fixed charge coverage ratio.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

Consolidated Leverage Ratio	Adjusted LIBOR Rate Loans and Letter of Credit Fee	Base Rate Loans	Commitment Fee
< 1.00:1.0	1.00%	0.00%	0.15%
≥ 1.00:1.0 and < 1.50:1.0	1.25%	0.25%	0.15%
≥ 1.50:1.0 and < 1.50:1.0	1.50%	0.50%	0.20%
≥ 2.00:1.0 and < 1.50:1.0	1.75%	0.75%	0.20%
≥ 2.50:1.0	2.00%	1.00%	0.25%

The terms of the Credit Facility contain certain negative covenants and conditions including a maximum consolidated leverage ratio and a minimum consolidated interest coverage ratio.

There were no borrowings under the Credit Agreement at December 31, 2020 or under the Prior Credit Agreement at December 31, 2019.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. Under the CARES Act, certain subsidiaries of FutureFuel entered into a loan with Saint Louis Bank pursuant to the Paycheck Protection Program ("PPP") totaling \$8,180 on April 10, 2020. At the time that FutureFuel applied for the PPP loan, it qualified to receive the funds pursuant to the then published eligibility requirements. Receipt of the PPP loan ensured continued operation as part of the nation's critical infrastructure. However, the Small Business Administration and Treasury Department subsequently issued new guidance that cast doubt on the ability of public companies to qualify for a PPP loan. As a result, FutureFuel repaid the full amount of the PPP loan on May 5, 2020.

At December 31, 2020, the Company had \$119 outstanding with a domestic financing company for computer technology under a 3-year financing agreement. No such outstanding balances existed at December 31, 2019.

At December 31, 2019, the Company had \$5,000 outstanding with an international bank for a standby letter of credit under a six-month agreement. At December 31, 2020, no such agreement existed.

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

The Batesville plant generates hazardous and non-hazardous wastes, the treatment, storage, transportation, and disposal of which are regulated by various governmental agencies. In addition, the Batesville plant may be required to incur costs for environmental and closure and post-closure costs under the Resource Conservation and Recovery Act. The Company's liability for asset retirement obligations and environmental contingencies was \$1,331 and \$1,288 as of December 31, 2020 and 2019, respectively. These amounts are recorded in other noncurrent liabilities in the accompanying consolidated balance sheet. The accretion expense for 2020 and 2019 was \$43 and \$28, respectively. The periodic review of the asset retirement obligation

calculations resulted in an addition to the reserve of \$0 and \$356 in 2020 and 2019, respectively.

#### 15) Lease commitments and purchase obligations

The Company leases railcars under multi-year arrangements primarily for delivery of feedstock and biodiesel within its biofuels segment. The lease fees are fixed with no option to purchase and no upfront fees or residual value guarantees. All railcar leases are direct, and no subleases exist. The Company determines lease existence and classification at inception when an agreement conveys the right to control the identified property for a period of time in exchange for consideration. These leases have remaining terms from two to three years with a weighted average remaining term of 2.7 years. As operating leases do not provide a readily determinable implicit interest rate, the Company uses an incremental borrowing rate based on information available at the commencement date in determining present value of the lease payments.

Following are supplemental income statement and cash flow information related to leases at December 31, 2020.

	Twelve Months Ended December 31,	
	2020	2019
Operating lease expense	\$ 841	\$ 576
Short-term lease expense	\$ 106	\$ 171
Cash paid for operating leases	\$ 841	\$ 576
Right of use assets obtained in exchange for lease obligations	\$ 442	\$ 432
Weighted average discount rate, per annum	3.7%	4.4%

On December 31, 2020, an ROU asset and a lease liability were reported as other noncurrent assets of \$1,311 and other current liabilities and other noncurrent liabilities of \$491 and \$820, respectively.

Following are maturities of lease liabilities at December 31, 2020.

2021	\$ 532
2022	532
2023	294
2024	25
2025	-
Total	1,383
Less: imputed interest	(72)
Present value of lease liabilities	\$ 1,311

#### Purchase obligations

The Company has entered into contracts for the purchase of goods and services including contracts for feedstocks for biodiesel, expansion of the Company's specialty chemicals segment, and related infrastructure with less than one year terms.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

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The Company holds one non-cancelable obligation for software maintenance with payment obligations for each year presented as follows.

2021	\$ 37
2022 – 2024	111
2025 – 2026	43
2027 and later	-
Total	<u>\$ 191</u>

**16) Income tax (benefit) provision**

The following table summarizes the income tax provision (benefit):

	2020	2019	2018
Income before taxes – U.S.	\$ 31,778	\$ 79,795	\$ 60,177
Income tax provision:			
Federal			
Current	(14,234)	(2,811)	7,105
Deferred	1,120	(4,006)	(1,389)
State and other			
Current	59	(430)	1,167
Deferred	(1,731)	(1,139)	136
Total	<u>\$ (14,786)</u>	<u>\$ (8,386)</u>	<u>\$ 7,019</u>

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

	2020	2019	2018
Amount computed using the statutory rate of 21% for 2020, 2019, and 2018	21.0%	21.0%	21.0%
Agri-biodiesel production credit	(3.7)	(3.0)	(1.6)
Federal BTC benefit	(38.7)	(23.4)	(12.9)
State BTC benefit	(3.8)	(5.8)	(3.3)
Credit for increasing research activities	(0.5)	(0.2)	(0.2)
Dividends received deduction	(0.9)	(0.4)	(0.6)
State income taxes, net	(0.5)	4.0	4.2
State research credits	(1.0)	(0.9)	-
State rate change impact	-	(1.6)	-
Tax expense recorded as an increase in unrecognized tax benefit	-	-	5.3
CARES Act	(17.4)	-	-
Other	(1.0)	(0.2)	(0.2)
Income tax provision (benefit)	<u>(46.5)%</u>	<u>(10.5)%</u>	<u>11.7%</u>

The income tax benefit in 2020 was \$14,786 or an effective tax rate of (46.5%) as compared to an income tax benefit of \$8,386 or an effective tax rate of (10.5%) in 2019 and an income tax provision of \$7,019 or an effective tax rate of 11.7% in 2018.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (Pub.L. 116-136) (“CARES Act”). The CARES Act, among other things, provides that Net Operating Losses (“NOLs”) arising in a taxable year beginning after December 31, 2017 and before January 1, 2021, shall be treated as a carryback available to offset 100% of taxable income in each of the 5 preceding taxable years unless the taxpayer elects to forego the carryback. The Company’s effective tax rate for the year 2020 is positively impacted by its ability to carry back both its 2019 and 2020 federal NOLs in full to tax years with 35% marginal tax rates, rather than forward to years with anticipated 21% tax rates. In the fourth quarter of 2020, the Company filed a refund claim of \$7,695 and accrued an additional refund claim of \$1,211, subsequently filed in January 2021, relating to the carryback of its NOL generated in 2019. No refunds have been received as of December 31, 2020. The Company also anticipates filing a refund claim before the end of 2021 relating to the carryback of the NOL anticipated to be generated in 2020. States in which the Company conducts the majority of its business have not conformed to the CARES Act’s enhanced NOL carryback provisions, and the anticipated benefits of these state NOL carryforwards are accordingly classified as deferred tax assets.

The Company’s effective tax rate for the year 2020 reflects the positive effect of certain tax credits and incentives, the most significant of which were the BTC and the Small Agri-biodiesel Producer Tax Credit. Based on technical guidance from Internal Revenue Service, the Company excludes the portion of the BTC not used to satisfy excise tax liabilities from income.

The Company’s effective tax rate for the year 2019 reflected the positive effect of the reinstatement of certain tax credits and incentives for 2018 and 2019, the most significant of which was the BTC and Small Agri-biodiesel Producer Tax Credit. The BTC and the Small Agri-biodiesel Producer Tax Credit were retroactively extended for 2018 and 2019 on December 20, 2019 and further extended through December 31, 2022. This tax benefit was recorded in the Company’s fourth quarter 2019 results. See Note 3 for a discussion of the impact of the BTC for the years ended December 31, 2020, 2019, and 2018. The 2019 effective tax rate was also favorably impacted by the Company being granted a retroactive research and development credit for a prior year in the state of Arkansas. Additionally, the Company’s 2019 effective tax rate reflected a one-time benefit from state legislation enacted during the year which applies a lower tax rate to future reversals of deferred tax liabilities.

The Company’s effective tax rate for the year 2018 reflected an uncertain tax position on prior year income of \$2,728, net (\$2,804, gross) plus interest of \$448 in the fourth quarter of 2018. Partially reducing provision for income taxes was the benefit of the reinstatement of certain tax credits and incentives for 2018, the most significant of which were the BTC and the Small Agri-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

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biodiesel Producer Tax Credit. The BTC and the Small Agri-biodiesel Producer Tax Credit were retroactively extended for 2017 (but, not beyond December 31, 2017) on February 9, 2018.

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

	2020	2019
<b>Deferred tax assets</b>		
Compensation	\$ 270	\$ 267
Inventory reserves	729	650
Self-insurance	64	103
Asset retirement obligation	291	199
Deferred revenue	5,021	4,427
Federal net operating loss carryforwards	-	3,121
State net operating loss carryforwards	1,891	363
Accrued expenses	-	1,684
Stock based compensation	23	41
Federal credit carryforwards	1,659	-
State credit carryforwards	680	343
Derivative instruments	-	56
Capital loss carryforwards	1,225	-
<b>Total deferred tax assets</b>	<b>11,853</b>	<b>11,254</b>
<b>Deferred tax liabilities</b>		
Available for sale securities	(56)	(79)
LIFO inventory	(2,748)	(2,860)
Depreciation	(19,309)	(19,891)
Trading securities	(1,285)	(1,334)
Accrued expenses	(701)	-
Derivative instruments	(26)	-
Other	(60)	(55)
<b>Total deferred tax liabilities</b>	<b>(24,185)</b>	<b>(24,219)</b>
<b>Net deferred tax liabilities</b>	<b>\$ (12,332)</b>	<b>\$ (12,965)</b>

Net operating loss carryforwards reflect losses generated in 2020, 2019, and 2016 for state income tax purposes. The state loss carryforward of \$1,891 have varying lives, with the majority expiring in 2024 and 2025.

Federal tax credit carryforwards include primarily the Small Agri-biodiesel Producer Credit generated in 2020 and expiring in 2040. State credit carryforwards comprise Arkansas In-house Research Credits generated in 2019 and 2020, expiring in 2028 and 2029.

Capital loss carryforwards were generated in 2019 and 2020 and will expire in 2024 and 2025.

The following table summarizes the Company's unrecognized tax positions.

	2020	2019	2018
Balance at January 1	\$ -	\$ 2,804	\$ -
Increases to tax positions taken in the current year	-	-	-
Increases to tax positions taken in a prior year	-	-	2,804
Decrease due to resolution of tax positions taken in a prior year	-	(2,804)	-
Balance at December 31	\$ -	\$ -	\$ 2,804

The Company does not expect its unrecognized tax positions to change significantly over the next 12 months.

The Company records interest and penalties, net, as a component of income tax (benefit) provision and had accrued interest and penalties of \$27 and (\$557) for December 31, 2020 and 2019, respectively. Liabilities for accrued interest and tax penalties on unrecognized tax benefits were \$0 at both December 31, 2020 and 2019, respectively.

The Company and its subsidiaries file tax returns in the U.S. federal jurisdiction and with various state jurisdictions. In general, the Company is subject to U.S., state, and local examinations by tax authorities from 2017 forward. The Internal Revenue Service concluded its audit of the Company's 2014 through 2016 income tax returns in the third quarter of 2019. Any unrecognized tax benefits were realized at that time.

## 17) Earnings per share

In the year ended December 31, 2020 and 2019, the Company used the treasury method in computing earnings per share as all shares with participating security holders had vested, and, thus, the two-class method was unnecessary. During 2018, the Company had unvested participating shares and computed earnings per share using the two-class method in accordance with ASC Topic 260, *Earnings per Share*. The two-class method is an allocation of earnings between the holders of common stock and a company's participating security holders. Outstanding unvested shares of restricted stock contain non-forfeitable rights to dividends and, therefore, are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. There were no other participating securities at December 31, 2019 or 2018.

The Company had shares contingently issuable of 12,500 associated with outstanding service-based restricted stock units for the year ended December 31, 2018. These shares were not included in the earnings per share calculations as the vesting conditions had not been satisfied. There were no outstanding service-based restricted stock units for the year ended December 31, 2020 or 2019.



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(Dollars in thousands, except per share amounts)

Basic and diluted earnings per common share were computed as follows:

	For the twelve months ended December 31:		
	2020	2019	2018
Numerator:			
Net income	\$ 46,564	\$ 88,181	\$ 53,158
Less: distributed earnings allocated to non-vested stock	-	-	-
Less: undistributed earnings allocated to non-vested restricted stock	-	-	(16)
Numerator for basic earnings per share	\$ 46,564	\$ 88,181	\$ 53,142
Effect of dilutive securities:			
Add: undistributed earnings allocated to non-vested restricted stock	-	-	16
Less: undistributed earnings reallocated to non-vested restricted stock	-	-	(16)
Numerator for diluted earnings per share	\$ 46,564	\$ 88,181	\$ 53,142
Denominator:			
Weighted average shares outstanding – basic	43,743,243	43,743,243	43,725,333
Effect of dilutive securities:			
Stock options and awards	907	1,433	5,859
Weighted average shares outstanding – diluted	43,744,150	43,744,676	43,731,192
Basic earnings per share	\$ 1.06	\$ 2.02	\$ 1.22
Diluted earnings per share	\$ 1.06	\$ 2.02	\$ 1.22

Certain options to purchase the Company's common stock were not included in the computation of diluted earnings per share for the years ended December 31, 2020, 2019 and 2018 because they were anti-dilutive in the period. The weighted number of options excluded on this basis was 43,500, 35,000, and 15,000, respectively.

**18) Stock-based compensation**

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

- Encourage ownership in the Company by key personnel whose long-term employment with or engagement by the Company or its subsidiaries is considered essential to its continued progress and, thereby, encourage recipients to act in the Company's shareholders' interests and share in its success;
- Encourage such persons to remain in the Company's employ or in the employ of its subsidiaries; and
- Provide incentives to persons who are not the Company employees to promote the Company's success.

The Incentive Plan authorizes the Company to issue stock options (including incentive stock options and nonqualified stock options), stock awards, and stock appreciation rights. Eligible participants in the plan include: (i) members of the Company's board of

directors and its executive officers; (ii) regular, active employees of the Company and any of its subsidiaries; and (iii) persons engaged by the Company or any of its subsidiaries to render services to the Company or its subsidiaries as an advisor or consultant.

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

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

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

No stock awards were issued in 2020, 2019 or 2018.

In January 2020, September 2019 and October 2018, under the Incentive Plan, the Company granted a total of 24,000, 10,000, and 10,000 stock options, respectively, to the Chief Operating Officer and two new members of the Board of Directors in each period, also respectively. The options awarded in each of the years have an exercise price equal to the mean between the highest and lowest quoted sales prices for the Company's common stock as

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

of the grant date as reported by the New York Stock Exchange. All options awarded in 2020 vested immediately upon grant and expire in January 2025. All options awarded in 2019 vested immediately upon grant and expire in September 2024. All options awarded in 2018 vested immediately upon grant and expire in October 2023. The Company has used the Black Scholes Merton option pricing model, which relies on certain assumptions, to estimate the fair value of the options it granted. The weighted average fair value of options granted was \$2.05, \$2.24 and \$3.64 per option in 2020, 2019 and 2018, respectively.

There were no stock options exercised in 2020 or 2019.

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

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

Assumptions	January 2020 Options	September 2019 Options	October 2018 Options
Expected volatility rate	31.53%	31.28%	33.87%
Expected dividend yield	2.08%	1.99%	1.48%
Risk-free interest rate	1.61%	1.71%	2.86%
Expected forfeiture rate	0.00%	0.00%	0.00%
Expected term in years	2.5	2.6	2.7

The volatility rate for the options granted in 2020, 2019 and 2018 were derived from the historical stock price volatility of the Company's common stock over the same time period as the expected term of each stock option award. The volatility rate is derived by a mathematical formula using the daily closing stock price data over the expected term.

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

For the years ended December 31, 2020, 2019, and 2018, total share-based compensation expense (before tax) totaled \$49, \$21, and \$357, respectively. In the years ended December 31, 2020, 2019, and 2018, this balance was recorded as an element of selling, general, and administrative expenses. As of December 31, 2020 and 2019, there was no unrecognized compensation expense related to stock options.

A summary of the activity of the Company's stock options and awards for the period beginning January 1, 2018, and ending December 31, 2020, is presented below.

	Options	Weighted Average Exercise Price
Outstanding at January 1, 2018	70,000	\$ 12.48
Granted	10,000	\$ 16.21
Exercised	(40,000)	\$ 11.34
Canceled, forfeited, or expired	-	\$ -
Outstanding at December 31, 2018	40,000	\$ 14.55
Granted	10,000	\$ 12.07
Exercised	-	\$ -
Canceled, forfeited, or expired	-	\$ -
Outstanding at December 31, 2019	50,000	\$ 14.05
Granted	24,000	\$ 11.56
Exercised	-	\$ -
Canceled, forfeited, or expired	(30,000)	\$ 13.99
Outstanding at December 31, 2020	44,000	\$ 12.73

There were 4,330,167 options available for grant under the Incentive Plan and no further awards available under the Prior Plan at December 31, 2020. The following table provides the remaining contractual term and weighted average exercise prices of stock options outstanding and exercisable from the Incentive Plan and Prior Plan at December 31, 2020.

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31, 2020	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2020	Weighted Average Exercise Price
\$ 16.21	10,000	2.81	\$ 16.21	10,000	\$ 16.21
\$ 12.07	10,000	3.71	\$ 12.07	10,000	\$ 12.07
\$ 11.56	24,000	4.06	\$ 11.56	24,000	\$ 11.56
	44,000	3.70	\$ 12.73	44,000	\$ 12.73

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

The aggregate intrinsic values of total options outstanding and exercisable at December 31, 2020 and 2019 were \$34 and \$3, respectively. Intrinsic value is the amount by which the last trade price of the common stock closest to December 31, 2020 and 2019, respectively, exceeded the exercise price of the options granted.

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

	Number of Restricted Stock	Weighted Average Grant Date Fair Value	Weighted Average Life Remaining
Unvested as of January 1, 2018	25,000	\$ 17.09	0.67
Granted	-	-	-
Vested	25,000	\$ 17.09	-
Forfeited	-	-	-
Unvested as of December 31, 2018	-	\$ -	-
Granted	-	-	-
Vested	-	\$ -	-
Forfeited	-	-	-
Unvested as of December 31, 2019	-	\$ -	-
Granted	-	-	-
Vested	-	\$ -	-
Forfeited	-	-	-
Unvested as of December 31, 2020	-	\$ -	-

In 2017, management adopted ASU No. 2016-09, *Compensation – Stock Compensation* (Topic 718). With this adoption, the excess tax benefit attributable to restricted stock has been recorded as an increase in the benefit for income taxes in 2020, 2019, and 2018. The Company realized a tax benefit of \$0, \$0, and \$12 in the years ended December 31, 2020, 2019 and 2018, respectively, related to the vesting of restricted shares.

## 19) Stockholders' equity

Mr. Paul A. Novelly, executive chairman of the board, or his affiliates are entitled to demand that the Company register under the Securities Act of 1933, as amended (or the "Securities Act"), the resale of certain shares of the Company's common stock beneficially owned by Mr. Novelly or his affiliates (including St. Albans Global Management, Limited Partnership, LLLP). If Mr. Novelly or his affiliates exercise their registration rights with respect to all of their shares of the Company's common stock, there will be an additional 17,725,100 available for trading in the public market.

## 20) Employee benefit plans

### Defined contribution savings plan

The Company currently offers its employees a company 401(k) matching savings plan, which covers substantially all employees. Under this plan, the Company matches the amount of eligible employees' contributions, subject to specified limits, up to 6% of earnings. Company contributions totaled \$1,906, \$1,771, and \$1,801 for the years ended December 31, 2020, 2019, and 2018, respectively.

## 21) Related party transactions

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

### Related party balance sheet accounts

	2020	2019
<b>Accounts receivable</b>		
Biodiesel, petrodiesel, blends and other petroleum products	\$ 1,426	\$ 4,602
<b>Total accounts receivable</b>	<b>\$ 1,426</b>	<b>\$ 4,602</b>
<b>Prepaid expenses</b>		
Administrative services and other	\$ -	\$ 12
<b>Total prepaid expenses</b>	<b>\$ -</b>	<b>\$ 12</b>
<b>Accounts payable</b>		
Natural gas and fuel purchases	\$ 973	\$ 867
Travel and administrative services	\$ 11	\$ 388
<b>Total accounts payable</b>	<b>\$ 984</b>	<b>\$ 1,255</b>
<b>Accrued liabilities</b>		
Travel and administrative services	\$ -	\$ 64
<b>Total accrued liabilities</b>	<b>\$ -</b>	<b>\$ 64</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

## Related party income statement accounts

	For the years ended December 31:		
	2020	2019	2018
<b>Revenues</b>			
Biodiesel, petrodiesel, blends and other petroleum products	\$ 1,976	\$ 3,178	\$ 4,069
Total revenues	\$ 1,976	\$ 3,178	\$ 4,069
<b>Cost of goods sold</b>			
Biodiesel, petrodiesel, blends, and other petroleum products	\$ 3,865	\$ 12,647	\$ 13,985
Natural gas purchases	3,025	4,298	5,510
Total cost of goods sold	\$ 6,890	\$ 16,945	\$ 19,495
<b>Distribution</b>			
Distribution and related services	\$ 177	\$ 181	\$ 191
Total distribution	\$ 177	\$ 181	\$ 191
<b>Selling, general and administrative expenses</b>			
Commodity trading advisory fees	\$ 308	\$ 307	\$ 307
Travel and administrative services	192	280	282
Income tax, consulting services and other	120	120	101
Total selling, general, and administrative expenses	\$ 620	\$ 707	\$ 690

**Biodiesel, petrodiesel, blends, and other petroleum products**

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

**Natural gas purchases**

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

**Distribution and related services**

Distribution and related services comprise barge transportation and related unloading charges for petrodiesel that were arranged and paid for by an affiliate and subsequently rebilled to the Company. Additionally, the Company leases oil storage capacity

from an affiliate under a storage and throughput agreement. This agreement provides for the storage of biodiesel, diesel or biodiesel/petrodiesel blends, methanol, and biodiesel feedstocks in above-ground storage tankage at designated facilities of the affiliate. Expenses related to this agreement include monthly lease charges, generally on a per-barrel basis, and associated heating, throughput, and other customary terminalling charges.

**Commodity trading advisory fees**

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

**Travel and administrative services**

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

**Income tax and consulting services**

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.

(Dollars in thousands, except per share amounts)

**22) Segment information**

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

**Chemicals**

The Company's chemicals segment manufactures diversified chemical products that are sold to third party customers. This segment comprises two product groups: "custom manufacturing" (manufacturing chemicals for specific customers) and "performance chemicals" (multi-customer specialty chemicals).

**Biofuels**

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

**Summary of business by segment**

	Twelve months ended		
	2020	2019	2018
<b>Revenue</b>			
Custom chemicals	\$ 63,894	\$ 90,962	\$ 97,746
Performance chemicals	15,284	13,865	19,382
Chemicals revenue	79,178	104,827	117,128
Biofuels revenue	125,327	100,399	173,890
Total revenue	<u>\$ 204,505</u>	<u>\$ 205,226</u>	<u>\$ 291,018</u>
<b>Segment gross profit (loss)</b>			
Chemicals	\$ 25,518	\$ 29,923	\$ 33,986
Biofuels	5,789	44,216	39,412
Total gross profit	<u>31,307</u>	<u>74,139</u>	<u>73,398</u>

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

**23) Quarterly financial information (unaudited)**

	Quarter			
	1st	2nd	3rd	4th*
<b>2020</b>				
Revenues	\$ 53,082	\$ 47,422	\$ 54,138	\$ 49,863
Gross profit	\$ 16,399	\$ 911	\$ 6,446	\$ 7,551
Net income	\$ 19,043	\$ 15,159	\$ 6,890	\$ 5,472
Net income per common share:				
Basic	\$ 0.44	\$ 0.35	\$ 0.16	\$ 0.13
Diluted	\$ 0.44	\$ 0.35	\$ 0.16	\$ 0.13
<b>2019</b>				
Revenues	\$ 48,501	\$ 70,864	\$ 65,684	\$ 20,177
Gross profit	\$ 3,262	\$ 3,270	\$ 5,462	\$ 62,145
Net income	\$ 5,499	\$ 3,687	\$ 6,622	\$ 72,373
Net income per common share:				
Basic	\$ 0.13	\$ 0.08	\$ 0.15	\$ 1.65
Diluted	\$ 0.13	\$ 0.08	\$ 0.15	\$ 1.65

\*The fourth quarter of 2019 includes the retroactive reinstatement of the BTC in revenue and gross profit (see Note 3 for further information).

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

**24) Legal proceedings**

The Company is not a party to, nor is any of its property subject to, any material pending legal proceedings, other than ordinary routine litigation incidental to its business. However, from time to time, the Company may be a party to, or a target of, lawsuits, claims, investigations, and proceedings, including product liability, personal injury, asbestos, patent and intellectual property, commercial, contract, environmental, antitrust, health and safety, and employment matters, which the Company expects to be handled and defended in the ordinary course of business. While the Company is unable to predict the outcome of any matters currently pending, the Company does not believe that the ultimate resolution of any such pending matters will have a material adverse effect on its overall financial condition, results of operations, or cash flows. However, adverse developments could negatively impact earnings or cash flows in future periods.

During the twelve months ended December 31, 2020, the Company reached a legal resolution of a prior year contractual matter for which an accrual of \$8,350 was relieved as other income.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF FUTUREFUEL CORP.**

(Dollars in thousands, except per share amounts)

**25) Subsequent event**

The Company utilizes natural gas in the manufacture of its products. During February, 2021, a severe winter weather event impacted the local region creating shortages of natural gas which resulted in significant price increases. The Company curtailed usages in compliance with critical needs, however, it is unknown exactly what financial impact this event will have on the business as the price that is used for the monthly contractual settlement is yet to be determined. Depending on the ultimate price used by the supplier, the Company may contest the basis for the pricing. The impact of the event could be as high as \$8,110 as compared to the February 2020 natural gas invoice of \$246. Regulatory investigations are currently taking place into the events that occurred.

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

RSM US LLP was engaged as the principal accountant to audit our consolidated financial statements for 2020 and 2019, RubinBrown LLP was engaged as the principal accountant to audit our consolidated financial statements for 2018. No other independent accountant was so engaged. There were no disagreements with RSM US LLP or RubinBrown LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

## Item 9A Controls and Procedures

### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our chief executive officer and our principal financial officer and other senior management personnel, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and our principal financial officer have concluded that these disclosure controls and procedures as of December 31, 2019, were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

### MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on this assessment, management has concluded that, as of December 31, 2020, our internal control over financial reporting is effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2020, has been audited, RSM US LLP, a

registered public accounting firm, which expressed an unqualified opinion as stated in their report, a copy of which is included below.

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

#### Opinion on the Internal Control Over Financial Reporting

We have audited FutureFuel Corp. and its subsidiaries (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, cash flows, and changes in stockholders' equity for each of the two years in the period ended December 31, 2020, and the related notes to the consolidated financial statements of the Company and our report dated March 16, 2021 expressed an unqualified opinion.

#### Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally

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

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

/s/RSM US LLP

St. Louis, Missouri

March 16, 2021

#### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

We did not make any changes in our internal control over financial reporting as a result of our evaluation that occurred during the fiscal quarter ended December 31, 2020.

#### **Item 9B Other Information**

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We did not fail to disclose any information required to be disclosed in a report on Form 8-K during the fourth quarter of 2020.



## PART III

Unless otherwise stated, all dollar amounts are in thousands.

### Item 10 Directors, Executive Officers, and Corporate Governance

#### IDENTIFICATION OF DIRECTORS

Our directors as of December 31, 2020, are as follows:

Name	Age	Director Since	Term Expires
Paul A. Novelly, Chairman and Chief Executive Officer	77	2005	2021
Edwin A. Levy	83	2005	2022
Donald C. Bedell	79	2008	2022
Paul M. Manheim	72	2011	2023
Dale E. Cole	72	2015	2021
Terrance C.Z. Egger	63	2015	2022
Jeffrey L. Schwartz	72	2015	2023
Alain Louvel	75	2018	2021
Rose Sparks	54	2019	2023

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

#### IDENTIFICATION OF EXECUTIVE OFFICERS

Our executive officers are as follows:

Name	Position	Age	Officer Since
Paul A. Novelly	Chairman of the Board and Chief Executive Officer	77	2005
Thomas McKinlay	Chief Operating Officer	57	2017
Rose M. Sparks	Principal Financial Officer and Chief Financial Officer	54	2012
Paul M. Flynn <sup>(a)</sup>	Executive Vice President	54	2015

(a) Mr. Flynn retired from the company on September 30, 2020

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

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

#### FAMILY RELATIONSHIPS

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

#### BUSINESS EXPERIENCE

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

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

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

of World Point Terminals, Inc. and general partner of World Point Terminals, LP. World Point Terminals, LP was a publicly traded master limited partnership listed on the New York Stock Exchange until July 2017.

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

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

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

**Paul M. Manheim** has been a member of our board since July 5, 2011. Mr. Manheim is currently a non-executive director of HAL Real Estate Inc., which develops and owns a portfolio of real estate in the Pacific Northwest consisting of multi-family, office, and mixed-use assets. He was the president and chief executive officer of HAL Real Estate Inc. until September 2005. HAL Real Estate Inc. is a subsidiary of HAL Holding N.V. Mr. Manheim joined Holland America Line, N.V., the predecessor of HAL Holding N.V., an international holding company traded on the Amsterdam Stock Exchange, in 1982 and filled various positions in the financial and corporate development areas. June 2005 to 2014, Mr. Manheim was the chairman of the board of Shanghai Red Star Optical Company, which owns a portfolio of optical retail outlets in China and is affiliated with Europe's largest optical retailer. Mr. Manheim has served as a director and chairman of the audit committee of World Point Terminals, Inc. and its predecessor since 2009. He is also a director of World Point Terminals, Inc., a Delaware company based in Missouri that, through its operating subsidiaries, owns and operates petroleum storage facilities in the United States.

FutureFuel Corp.'s chairman, Paul A. Novelly, is the chairman of the board of World Point Terminals, Inc. Mr. Manheim received a bachelor of commerce degree with honors from the University of New South Wales, Australia, and qualified as a Chartered Accountant in 1976.

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

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

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

**Terrance C.Z. (Terry) Egger** has served on our board since August 2015. He retired as the publisher and CEO of Philadelphia Media Network, parent company of the Philadelphia Inquirer, the Philadelphia Daily News and Philly.com, that region's largest news company, in which capacity he oversees all operations of the newspaper and its affiliates. Prior to August 2015, Mr. Egger served as president and CEO of the Cleveland 2016 Host Committee, Inc., where he led the successful effort for the City of Cleveland to host the 2016 Republican National Convention. In 2013, Mr. Egger had retired as chairman of The Plain Dealer Publishing Co. in Cleveland, parent company of the The Plain Dealer, Ohio's

largest paper, where he had served in several executive capacities from 2006. From 1996 to 2006, Mr. Egger was the president and publisher of the St. Louis Post-Dispatch, where he supervised all operations, including its website STLtoday.com and Suburban Journals of Greater St. Louis. Terry started his newspaper career managing marketing and advertising for papers in Los Angeles, California and Tucson, Arizona. Mr. Egger is a member of the Board of Directors of Medical Mutual of Ohio and a member of the Board of Trustees of the Cleveland Clinic Foundation. He has a bachelor's degree from Augustana College and a master's degree in speech communication from San Diego State University.

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

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

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

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

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

Mr. Louvel currently serves as a director and/or member of the Audit Committee of Great West Life Insurance and Annuity, Putnam Investments LLC, and Mountain Asset Management LLC. He is also a trustee of the French Institute Alliance Francaise and a French Foreign Trade Counselor. Mr. Louvel previously served on

the board of directors of World Point Terminals Inc., predecessor to World Point Terminals, LP's parent and a Canadian and Toronto Stock Exchange company prior to June 2010.

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

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

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

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

**Rose M. Sparks** has been our principal financial officer and treasurer and principal accounting officer since November 8, 2012 and our chief financial officer since June 1, 2013. Prior to June 1, 2013, Mrs. Sparks served as the controller of FutureFuel Chemical Company since its acquisition in 2006 and has over twenty-five years of experience at the Batesville facility. Prior to our acquisition of FutureFuel Chemical Company, Mrs. Sparks worked for Eastman Chemical as controller at the Batesville plant. Mrs. Sparks holds a certified public accounting certificate but has elected inactive status. In September 2019, Mrs. Sparks was appointed to the board as a Class B director.

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

## INVOLVEMENT IN LEGAL PROCEEDINGS

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

## SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of Forms 3 and Forms 4 and amendments thereto furnished to us under the rules of the SEC promulgated under Section 16 of the Exchange Act during the fiscal year ended December 31, 2020, and Forms 5 and amendments thereto furnished to us with respect to the fiscal year ended December 31, 2020, as well as any written representation from a reporting person that no Form 5 is required, we are not aware that any officers, members of our board of directors and/or beneficial owners of more than 10% of our common stock failed to file on a timely basis, as disclosed in the aforementioned forms, reports required by Section 16 of the Exchange Act during the year ended December 31, 2020.

## CODE OF BUSINESS CONDUCT AND ETHICS

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

## NOMINATING COMMITTEE

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

## AUDIT COMMITTEE

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

- Donald C. Bedell
- Dale E. Cole
- Alain J. Louvel
- Paul M. Manheim (Chair)

## AUDIT COMMITTEE EXPERT

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

## Item 11 Executive Compensation

### GENERAL

Our board of directors has established a compensation committee. The compensation committee's responsibilities include, among other things, determining our policy on remuneration to our (that is, FutureFuel Corp.'s) officers and directors and the executive officers and directors of FutureFuel Chemical Company. Our directors receive an annual stipend of \$30, but the stipend is prorated if their service was for less than the full year. Committee heads receive an additional \$10 on an annual basis, again prorated if serving as committee chairman for less than the full year. The compensation committee also approved the payment to our directors of \$2 for each board and committee meeting attended in person and \$1 for each board and committee meeting attended telephonically. During 2020, the compensation committee reviewed and approved this fee schedule as reasonable and appropriate compensation to our directors and has determined to use the same fee structure for 2021.

With the exception of Rose M. Spark, who serves as our principal financial officer and chief financial officer and FutureFuel Chemical Company's chief financial officer, we determined for 2020 not to pay salaries, bonuses, or other forms of cash compensation to any of our board members that serve as executive officers (in their capacities as such). Executive officer compensation will be monitored during 2021 and set or adjusted as the board deems appropriate.

In 2020, we paid salaries, bonuses, and other forms of compensation to the officers of FutureFuel Chemical Company as described below.

### COMPENSATION DISCUSSION AND ANALYSIS

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

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



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

### Cash Salaries and Bonuses

We determined not to pay cash salaries or bonuses to Mr. Novelly for 2020. Our chairman and chief executive officer, Mr. Novelly, receives compensation from our affiliate, St. Albans Global Management, Limited Partnership, LLLP. Mr. Novelly did not receive any increase in salary, bonus, or other income from St. Albans Global Management, Limited Partnership, LLLP to compensate him for his services to us. The base salary for Mrs. Sparks was unchanged for 2020, however, directors fees of \$34 were paid to Mrs. Sparks in 2020. Mr. Flynn was hired in 2014, with a base salary set largely in line with our other executives at FutureFuel Chemical Company and commensurate with his experience. Mr. Flynn's base salary was unchanged in 2020. Mr. McKinlay was hired in 2017 with a base salary set largely in line with our other executives at FutureFuel Chemical Company and commensurate with his experience. Mr. McKinlay's base salary was unchanged in 2020. The Company's compensation committee and board have considered the advisory vote on executive compensation cast by our shareholders at our annual shareholders' meeting on September 3, 2020. Such advisory vote was determined to be in line with recommendations of the compensation committee and the board and the compensation decisions and policies of the Company.

For the year 2020, we established a bonus pool for the employees of our subsidiary, FutureFuel Chemical Company. The total bonus target amount was determined by our chief executive officer in consultation with our other executive officers. Eligible FutureFuel Chemical Company employees hired prior to January 1, 2020, received bonuses of approximately 118 hours of pay at their normal hourly rate. Employees hired in 2020 received a prorated or reduced amount based on their length of service. Salaried employees of FutureFuel Chemical Company (other than certain lead executives) received an additional bonus amount ranging from \$0 to \$18.5. Bonuses to FutureFuel Chemical Company's managers other than the lead executive team were determined by FutureFuel Chemical Company's executive team. Bonuses in 2020 for Mr. McKinlay and Mrs. Sparks, and other members of management of FutureFuel Chemical Company were recommended by our chief executive officer, then reviewed and approved by the Compensation Committee of our Board after considering several factors, including our overall financial performance and comparative information regarding the executive pay practices of our competitors. Such bonus distributions were designed to be sufficient compensation for the services rendered, competitive with market rates for similar services, and sufficient to motivate these individuals to aid in our achievement of short-term and long-term corporate goals.

We expect to establish an annual cash bonus program for fiscal years commencing after 2020. The total bonus amount is determined based on annual performance and is solely on a discretionary basis. In determining actual bonus payouts for such years, we expect that the compensation committee will consider

performance against performance goals to be established by us, as well as individual performance goals. We expect that this annual cash bonus program will apply to certain key employees of FutureFuel Chemical Company in addition to the executives whose compensation is described herein. The actual amount of bonuses, if any, will be determined near the end of our fiscal year.

### Omnibus Incentive Plan

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

- Encourage ownership in us by key personnel whose long-term employment with or engagement by us or our subsidiaries (including FutureFuel Chemical Company) is considered essential to our continued progress and, thereby, encourage recipients to act in our shareholders' interests and share in our success;
- Encourage such persons to remain in our employ or in the employ of our subsidiaries; and
- Provide incentives to persons who are not our employees to promote our success.

The Incentive Plan authorizes us to issue stock options (including incentive stock options and nonqualified stock options), stock awards, and stock appreciation rights. As of December 31, 2020, 44,000 options for shares of stock and no awards of shares of stock have been made under the Incentive Plan. See Note 18 to our consolidated financial statements for a detailed discussion of 2020 stock based compensation awards.

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

Awards under the Incentive Plan are limited to shares of our common stock, which may be shares reacquired by us, including shares purchased in the open market, or authorized but unissued shares. Awards are limited to 10% of the issued and outstanding shares of our common stock in the aggregate, or 4,374,167 shares, as of the date of the adoption of the Incentive Plan. Taking into account the prior grants of stock options and stock awards under the Incentive Plan, 4,330,167 shares are available to be issued under the Incentive Plan as of December 31, 2020.

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

The Incentive Plan became effective upon its approval by our shareholders and will continue in effect for a term of ten years

thereafter unless amended and extended by us or unless earlier terminated. The individuals and number of persons who may be selected to participate in the plan in the future is at the discretion of the Administrator and, therefore, are not determinable at this time. Likewise, the number of stock options, stock awards and stock appreciation rights that will be granted to eligible participants pursuant to the plan are not determinable at this time.

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

The Administrator may grant annual performance vested options. Performance will be tied to annual cash flow targets (our consolidated income plus depreciation plus amortization) in amounts to be determined. Annual performance vested options will vest 25% for each year that the annual cash flow target is achieved (with provisions for subsequent year catch-ups). Neither our management nor our compensation committee, however, has through the year ended December 31, 2020, made any awards that were contingent upon the achievement of specified performance goals or that were otherwise performance-vested. Rather, through 2020, all grants were made in the discretion of our compensation committee based upon their authority under the Incentive Plan.

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

The Administrator may issue other options based upon the following performance criteria either individually, alternatively, or in any combination, applied to either us as a whole or to a business unit, subsidiary, or business segment, either individually, alternatively, or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Administrator: (i) cash flow; (ii) earnings (including gross margin, earnings before interest and taxes, earnings before taxes, and net earnings); (iii) earnings per share; (iv) growth in earnings or earnings per share; (v) stock price; (vi) return on equity or average shareholders' equity; (vii) total shareholder return; (viii) return on capital; (ix) return on assets or net assets; (x) return on investment; (xi) revenue; (xii) income or net income; (xiii) operating income or net operating income; (xiv) operating profit or net operating profit;

(xv) operating margin; (xvi) return on operating revenue; (xvii) market share; (xviii) overhead or other expense reduction; (xix) growth in shareholder value relative to the moving average of the S&P 500 Index or a peer group index; (xx) strategic plan development and implementation; and (xxi) any other similar criteria.

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

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

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

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

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

## FEDERAL INCOME TAX CONSEQUENCES OF THE INCENTIVE PLAN

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

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

Ordinary income received on account of a disposition of shares within the holding period will be taxable as additional

compensation, and we may treat that income as a deductible expense for federal income tax purposes.

## Retirement Benefits

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

## Life Insurance and Other Employee Benefits

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

## The Compensation Committee

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

## Recommendations from Management

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

## SUMMARY COMPENSATION TABLE

Our executive officers were paid the following compensation for the three-year period ended December 31, 2020.

(Dollars in thousands)

Person	Year	Salary	Bonus	Stock Awards (d)	Option Awards (e)	All Other Compensation (f)	Total
Paul A. Novelty <sup>(a)</sup> Chairman and chief executive officer, FutureFuel Corp.	2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rose M. Sparks <sup>(a) (b)</sup> Chief financial officer, principal financial officer, and treasurer, FutureFuel Corp.	2020	\$ 183	\$ 95	\$ -	\$ -	\$ 54	\$ 332
	2019	\$ 183	\$ 88	\$ -	\$ 21	\$ 32	\$ 324
	2018	\$ 183	\$ 100	\$ -	\$ -	\$ 20	\$ 303
Paul M. Flynn <sup>(a) (c)</sup> Executive vice president of business and marketing, FutureFuel Chemical Company	2020	\$ 226	\$ 69	\$ -	\$ -	\$ 40	\$ 335
	2019	\$ 226	\$ 88	\$ -	\$ -	\$ 21	\$ 335
	2018	\$ 226	\$ 100	\$ 369	\$ -	\$ 21	\$ 716
Tom McKinlay <sup>(a)</sup> Chief operating officer, FutureFuel Chemical Company	2020	\$ 287	\$ 95	\$ -	\$ 49	\$ 22	\$ 446
	2019	\$ 287	\$ 88	\$ -	\$ -	\$ 22	\$ 397
	2018	\$ 287	\$ 100	\$ -	\$ -	\$ 85	\$ 472

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

(b) For Mrs. Sparks, all other compensation includes director fees of \$34 and \$12 in 2020 and 2019, respectively.

(c) Mr. Flynn retired from the company on September 30, 2020.

(d) Represents the grant date valuation of the awards under ASC Topic 718, Stock Compensation. Assumptions used for determining the value of awards reported here are set forth in Note 18 to our consolidated financial statements included elsewhere herein.

(e) Represents the grant date valuation of all stock option awards under ASC 718, Stock Compensation, using the Black-Scholes option-pricing model, excluding the effect of estimated forfeitures. Assumptions used

in the calculation of these amounts are included in Note 18 to our consolidated financial statements included elsewhere herein. These amounts do not necessarily correspond to the actual value recognized or that may be recognized by the named executive officers.

(f) Includes contributions (including accrued contributions) to vested and unvested defined contribution plans, HSA matching contributions, and the dollar value of any insurance premiums paid by, or on behalf of, us during or for the covered fiscal year with respect to life and disability insurance for the benefit of the named person. The above amounts do not include travel expenses reimbursed pursuant to Company policy. For 2020, the value of all other compensation not a perquisite or personal benefit in excess of \$10 for: (i) Mrs. Sparks was \$17 of 401(k) match, (ii) Mr. Flynn was \$20 of 401(k) match and \$14 in connection with his severance upon retirement, and (iii) Mr. McKinlay was \$17 of 401(k) match.

## GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
Thomas McKinlay(a)	01/21/2020	24,000	\$ 11.56	\$ 49

(a) In January 2020, we granted 24,000 stock options to our chief operating officer, Tom McKinlay. The options awarded have an exercise price equal to the mean between the highest and lowest quoted sales prices for FutureFuel's common stock as of the grant date as reported by the New York Stock Exchange. The options awarded vested immediately and expire on January 21, 2025. Please see Note 18 to our consolidated financial statements for a discussion of the company's plan-based awards.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Options (#)	Option Exercise Price (\$)	Option Expiration Date
Thomas McKinlay (a)	24,000	0	0	11.56	1/21/2025
Rose M. Sparks (b)	10,000	0	0	12.07	9/27/2024

(a) In January 2020, we granted 24,000 stock options to our chief operating officer, Tom McKinlay. The options awarded have an exercise price equal to the mean between the highest and lowest quoted sales prices for FutureFuel's common stock as of the grant date as reported by the New York Stock Exchange. The options awarded vested immediately and expire on January 21, 2025. Please see Note 18 to our consolidated financial statements for a discussion of the company's plan-based awards.

(b) In September 2019, we granted 10,000 stock options to Rose M. Sparks in connection with her appointment to our board of directors and in her capacity as a board member. The options awarded have an exercise price equal to the mean between the highest and lowest quoted sales price for FutureFuel's common stock as of the grant date as reported by the New York Stock Exchange. The options awarded vested immediately and expire on September 17, 2024. This same information is reflected in the unexercised options, stock awards, and equity in incentive plan table in the Compensation of Directors table below. See note 18 to our consolidated financial statements for a discussion of the company's plan-based awards.

## OPTION EXERCISES AND STOCK VESTED

There were no options exercised by our executive officers in 2020 and no stock awards that vested in 2020.

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

None.

## COMPENSATION OF DIRECTORS

Our directors receive an annual stipend of \$30, but prorated if their service was less than the full year. Committee heads receive an additional \$10 on an annual basis, again prorated if serving as committee chairman for less than the full year. The compensation committee approved payment to our directors of \$2 for each board and committee meeting attended in person and \$1 for each board and committee meeting attended telephonically. During 2020, the compensation committee reviewed and approved this fee schedule as reasonable and appropriate compensation to our directors and determined to use the same fee structure for 2021.

The following is the compensation our directors earned for 2020.



Director	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Paul A. Novelly	0	0	0	0	0	0	0
Edwin A. Levy	47	0	0	0	0	0	47
Donald C. Bedell	49	0	0	0	0	0	49
Paul M. Manheim	50	0	0	0	0	0	50
Dale E. Cole	38	0	0	0	0	0	38
Terrance C.Z. Egger	35	0	0	0	0	0	35
Jeffrey L. Schwartz	36	0	0	0	0	0	36
Alain Louvel	38	0	0	0	0	0	38
Rose Sparks	34	0	0	0	0	0	34

The following table sets forth information concerning unexercised options, stock awards that have not vested, and equity incentive plan awards as of December 31, 2020, with respect to our directors.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Alain Louvel <sup>(a)</sup>	10,000	0	0	16.21	10/24/23	0	0	0	0
Rose Sparks	10,000	0	0	12.07	9/17/24	0	0	0	0

(a) In December 2019, and October 2018, we granted a total of 10,000, and 10,000, respectively, stock options to our new board members. The options awarded have an exercise price equal to the mean between the highest and lowest quoted sales prices for FutureFuel's common stock as of the grant date as reported by the New York Stock Exchange. The options awarded vested immediately and expire on September 17, 2024, and October 24, 2023, respectively. See Note 18 to our consolidated financial statements for a discussion of the company's plan-based awards.

## PAY RATIO DISCLOSURE

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

Median total annual compensation of all employees other than our PEO: \$64,725

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

Ratio of PEO to Median Employee Compensation: zero

In determining the median employee, a listing was prepared of all employees as of December 31, 2020. Employees' actual gross wages and salaries were used for the full year of 2020. The median amount was selected from the list. For simplicity, the value of the Company's 401(k) plan and medical benefits provided was excluded. As of December 31, 2020, the Company employed 477 persons of which approximately 330 were in an operations role.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of our compensation committee during 2020 were Donald C. Bedell, Terrance C.Z. Egger, and Edwin A. Levy. The committee was chaired by Mr. Bedell. None of such individuals are or have been an officer or employee of the Company, nor did we enter into any transactions with such individuals during 2020 (other than the payment of directors' fees and other compensation, as noted above, solely in their capacity as directors).

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

## COMPENSATION COMMITTEE REPORT

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

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

## Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Our board of directors adopted an omnibus incentive plan which was approved by our shareholders at our 2017 annual shareholder meeting on September 7, 2017 (the "Incentive Plan"). We do not

have any other equity compensation plans or individual equity compensation arrangement. Under the Incentive Plan, awards are limited to 10% of the issued and outstanding shares of our common stock in the aggregate. The shares to be issued under the Incentive Plan were registered with the SEC on a Form S-8 filed on November 9, 2017. Through December 31, 2020, we have issued 44,000 options to purchase shares of our common stock but have awarded no shares to participants under the Incentive Plan. The following additional information regarding the Incentive Plan is as of December 31, 2020.

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	44,000	\$ 12.73	4,330,167

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

As of the date of this report, 43,743,243 shares of our common stock are issued and outstanding, and we have no other securities issued and outstanding. The shares of common stock are our only voting securities issued and outstanding. The following table sets forth the number and percentage of shares of common stock owned by all persons known by us to be the beneficial owners of more than 5% of shares of our common stock as of February 25, 2021.

Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Common Stock
Paul A. Novelly <sup>(a)</sup> 8235 Forsyth Blvd., 4th Floor Clayton, MO 63105	17,725,100	40.5%
BlackRock, Inc. <sup>(b)</sup> 55 East 52nd Street New York, NY 10055	4,043,313	9.2%
Dimensional Fund Advisors LP <sup>(c)</sup> 6300 Bee Cave Road, Building One Austin, TX 78746	2,811,492	6.4%
The Vanguard Group <sup>(d)</sup> 100 Vanguard Blvd. Malvern, PA 19355	2,726,360	6.2%
Renaissance Technologies LLC <sup>(e)</sup> Renaissance Technologies Holdings Corporation 800 Third Ave. New York, NY 10022	2,263,800	5.2%

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

(b) Based solely upon an Amendment to Schedule 13G/A filed with the SEC by the listed person on January 29, 2021. According to the filing, BlackRock, Inc. filed the Schedule 13G amendment as the parent holding company or control person of BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock (Netherlands) B.V., BlackRock Fund Advisors, BlackRock Asset Management Ireland Limited, BlackRock Institutional Trust Company, N.A., BlackRock Financial Management, Inc., BlackRock Asset Management Schweiz AG, and BlackRock Investment Management, LLC with BlackRock Fund Advisors beneficially owning 5% or greater of the outstanding shares of FutureFuel Corp. common stock. BlackRock, Inc. reported sole voting power over 4,003,665 shares and sole dispositive power over 4,043,313 shares.

(c) Based solely upon an Amendment to Schedule 13G/A filed with the SEC by the listed person on February 12, 2021. According to the filing, Dimensional Fund Advisors LP furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager or sub-advisor to certain other commingled funds, group trusts and separate accounts (collectively, the "Funds"). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-advisor to certain Funds. In its role as investment advisor, sub-advisor and/or manager, Dimensional Fund Advisors LP or its subsidiaries (collectively, "Dimensional") may possess voting and/or investment power over the securities of the Issuer that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Issuer held by the Funds. However, all securities reported above are owned by the Funds. Dimensional reported power to vote or to direct the vote of 2,681,593 shares and sole power to dispose or to direct the disposition of 2,811,492 shares. Dimensional disclaims beneficial ownership of such securities.

(d) Based solely upon an Amendment to Schedule 13G filed with the SEC by the listed person on February 10, 2021. According to the filing, the reported beneficial ownership includes shares beneficially owned by Vanguard Asset Management, Limited, Vanguard Fiduciary Trust Company, Vanguard Global Advisors, LLC, Vanguard Group (Ireland) Limited, Vanguard Investments Australia Ltd, Vanguard Investments Canada Inc., Vanguard Investments Hong Kong Limited, and Vanguard Investments UK, Limited. The Vanguard Group reported shared power to vote or direct the vote with respect to 25,066 shares, sole power to dispose of or direct the disposition of 2,679,794 shares and shared power to dispose or direct the disposition of 46,566 shares.

(e) Based solely upon an Amendment to Schedule 13G/A filed with the SEC by the listed person on February 11, 2021. Renaissance Technologies LLC and its majority owner Renaissance Technologies Holdings Corporation reported sole power to vote or to direct the vote and sole power to dispose or to direct the disposition of 2,263,800 shares.

## SECURITY OWNERSHIP OF MANAGEMENT

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

Name of Beneficial Owner	Amount of Beneficial Ownership	Percent of Common Stock
Paul A. Novelly <sup>(a)</sup>	17,725,100	40.5%
Edwin A. Levy <sup>(b)</sup>	280,725	*
Donald C. Bedell <sup>(c)</sup>	58,650	*
Rose M. Sparks <sup>(d)</sup>	24,283	*
Paul M. Manheim	13,103	*
Terrance C.Z. Egger	4,895	*
Dale E. Cole	1,350	*
Jeffrey L. Schwartz	-	*
Tom McKinlay <sup>(e)</sup>	24,000	*
All directors and executive officers	18,132,106	41.5%

\* less than 1%

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

(b) Does not include 1,275 shares of our common stock owned by The Edwin A. Levy Charitable Foundation, Inc., a New York not-for-profit corporation as to which Mr. Levy is a founder and director but not a beneficiary. Mr. Levy disclaims beneficial ownership of shares owned by the Foundation.

(c) Includes 2,400 shares of common stock owned by the Alexandra Nicole Bedell Trust, a trust established by Mr. Bedell for his granddaughter as to which Mr. Bedell serves as trustee but holds no pecuniary interest; Mr. Bedell disclaims beneficial ownership of all shares of our common stock held by this trust. Includes 2,453 shares of common stock owned by the Ashlyn Tate Bedell Trust, a trust established by Mr. Bedell for his granddaughter as to which Mr. Bedell serves as trustee but holds no pecuniary interest; Mr. Bedell disclaims beneficial ownership of all shares of our common stock held by this trust. Includes 2,400 shares of common stock owned by the Hailey Bedell Trust, a trust established by Mr. Bedell for his granddaughter as to which Mr. Bedell serves as trustee but holds no pecuniary interest; Mr. Bedell disclaims beneficial ownership of all shares of our common stock held by this trust. Includes 51,197 shares of our common stock held by the Africa Exempt Trust, of which Mr. Bedell is a beneficiary. Includes 200 shares of common stock owned by the Charlie Cash Bedell Trust, a trust established by Mr. Bedell for his grandson as to which Mr. Bedell serves as trustee but holds no pecuniary interest; Mr. Bedell disclaims beneficial ownership of all shares of our common stock held by this trust.

(d) Includes 10,000 shares that may be acquired pursuant to the exercise of options awarded under the Incentive Plan.

(e) All such shares may be acquired pursuant to the exercise of options awarded under the Incentive Plan.

## CHANGE IN CONTROL

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

## Item 13 Certain Relationships and Related Transactions, and Director Independence

### TRANSACTIONS WITH RELATED PERSONS

From time to time, we may sell to Apex Oil Company, Inc. and/or its affiliates biofuels (including biodiesel) produced by us, and Apex Oil Company, Inc. and/or its affiliates may sell to us, or we may sell to them, diesel fuel, gasoline, natural gas, and other petroleum products in our biofuels business. Such sales will be at then posted prices for comparable products plus or minus applicable geographical differentials. We also may reimburse Apex Oil Company, Inc. for certain legal, trading and administrative services. The dollar amounts of such transactions and other related party transactions are detailed in Note 21 to our consolidated financial statements included elsewhere herein.

### REVIEW, APPROVAL, OR RATIFICATION OF TRANSACTIONS WITH RELATED PERSONS

Any transaction in which we (or one of our subsidiaries) are a participant, the amount involved exceeds the lesser of \$120 or 1% of our net income, total assets, or total capital, and in which any party related to us has or will have a direct or indirect material interest must be approved by a majority of the disinterested members of our board of directors as fair to us and our shareholders. This policy was adopted by our board on January 8, 2007 and amended on February 2, 2011, and can be found through the "Investor Relations – Corporate Governance" section of our website (<http://futurefuelcorporation.com/>). All of the agreements described above in this Item 13 and in Note 21 to our consolidated financial statements have been approved by a majority of the disinterested members of our board of directors.

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

## DIRECTOR INDEPENDENCE

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

- Edwin A. Levy
- Donald C. Bedell
- Paul M. Manheim
- Terrance C.Z. Egger
- Dale E. Cole
- Jeffrey L. Schwartz
- Alain J. Louvel

In addition, each member of our board of directors' compensation, audit, and nominating/corporate governance committees are comprised of directors who are independent under the definition of independence adopted by the NYSE.

## Item 14 Principal Accountant Fees and Services

### AUDIT FEES

During fiscal 2020 and 2019, we incurred \$354,000 and \$296,000, respectively for audit and financial statement review services from RSM US LLP.

### AUDIT-RELATED FEES

During fiscal 2020 and 2019, we incurred \$12,000 and \$12,000, respectively, for each year's employee benefit plan audit procedures from RSM US LLP.

### TAX FEES

During fiscal 2020 and 2019, we incurred fees of \$0 and \$0, respectively, for tax compliance, tax advice and tax planning services from RSM US LLP.

### ALL OTHER FEES

We did not incur any other fees for other services from RSM US LLP during fiscal 2020 or fiscal 2019.

### PRE-APPROVAL POLICIES

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

## PERCENTAGE OF HOURS EXPENDED

N/A

## SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

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

These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, those set forth under the headings "Risk Factors" beginning at page 10 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning at page 21 and in our future filings made with the SEC. You should not place undue reliance on any forward-looking statements contained in this report which reflect our management's opinions only as of their respective dates. Except as required by law, we undertake no obligation to revise or publicly release the results of any revisions to forward-looking statements. The risks and uncertainties described in this report and in subsequent filings with the SEC are not the only ones we face. New factors emerge from time to time, and it is not possible for us to predict which will arise. There may be additional risks not presently known to us or that we currently believe are immaterial to our business. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. If any such risks occur, our business, operating results, liquidity, and financial condition could be materially affected in an adverse manner. You should consult any additional disclosures we have made or will make in our reports to the SEC on Forms 10-K, 10-Q, and 8-K, and any amendments thereto. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

## PART IV

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

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Item 15 Exhibits and Financial Statement Schedules has been excluded from this document. Please refer to Item 15 in our Form 10-K Annual Report as included in the Investor Relations section of our corporate website, [www.futurefuelcorporation.com](http://www.futurefuelcorporation.com), for a complete copy of the exhibits and financial statement schedules.

### **Item 16 Summary**

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





## CORPORATE INFORMATION

### **Directors**

Donald C. Bedell  
Dale E. Cole  
Terrance C.Z. Egger  
Alain J. Louvel  
Paul M. Manheim  
Paul A. Novelly  
Jeffrey L. Schwartz  
Rose M. Sparks

### **FutureFuel Corp.**

8235 Forsyth Blvd., 4th Floor  
Clayton, Missouri 63105  
314-854-8352  
[FutureFuelCorporation.com](http://FutureFuelCorporation.com)

### **FutureFuel Chemical Company**

2800 Gap Road  
State Highway 394 South  
Batesville, Arkansas 72501-9680  
(870) 698-3000

### **Stock Exchange Listing**

New York Stock Exchange  
Symbol: FF

### **Registrar/Transfer Agent**

Computershare  
250 Royall Street  
Canton, Massachusetts 02021

### **Auditor**

RSM US LLP  
8182 Maryland Avenue  
Suite 900  
St. Louis, Missouri 63105



FUTUREFUELCORPORATION.COM