

**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, 2019

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: 001-35397

**RENEWABLE ENERGY GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State of other jurisdiction of  
incorporation or organization)

**26-4785427**

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

**416 South Bell Avenue Ames Iowa**

(Address of principal executive offices)

**50010**

(Zip code)

**Registrant's telephone number, including area code: (515) 239-8000**

**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, par value \$0.0001 per share	REGI	NASDAQ Global Market

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

**None**  
(Title of class)

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

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

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" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of June 30, 2019, the aggregate market value of Common Stock held by non-affiliates was \$515,008,220.

As of February 29, 2020, 38,967,079 shares of Common Stock of the registrant were issued and outstanding.

**Documents Incorporated By Reference**

All or a portion of Items 10 through 14 in Part III of this Form 10-K are incorporated by reference to the Registrant's definitive proxy statement on Schedule 14A, which will be filed within 120 days after the close of the fiscal year covered by this report on Form 10-K, or if the Registrant's Schedule 14A is not filed within such period, will be included in an amendment to this Report on Form 10-K which will be filed within such 120 day period.

## TABLE OF CONTENTS

	<u>Page</u>
<b>PART I</b>	
ITEM 1.	<a href="#">Business</a> <span style="float: right;"><u>2</u></span>
ITEM 1A.	<a href="#">Risk Factors</a> <span style="float: right;"><u>11</u></span>
ITEM 1B.	<a href="#">Unresolved Staff Comments</a> <span style="float: right;"><u>25</u></span>
ITEM 2.	<a href="#">Properties</a> <span style="float: right;"><u>25</u></span>
ITEM 3.	<a href="#">Legal Proceedings</a> <span style="float: right;"><u>26</u></span>
ITEM 4.	<a href="#">Mine Safety Disclosures</a> <span style="float: right;"><u>26</u></span>
<b>PART II</b>	
ITEM 5.	<a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a> <span style="float: right;"><u>26</u></span>
ITEM 6.	<a href="#">Selected Financial Data</a> <span style="float: right;"><u>28</u></span>
ITEM 7.	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a> <span style="float: right;"><u>29</u></span>
ITEM 7A.	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a> <span style="float: right;"><u>47</u></span>
ITEM 8.	<a href="#">Financial Statements and Supplementary Data</a> <span style="float: right;"><u>49</u></span>
ITEM 9.	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a> <span style="float: right;"><u>85</u></span>
ITEM 9A.	<a href="#">Controls and Procedures</a> <span style="float: right;"><u>85</u></span>
ITEM 9B.	<a href="#">Other Information</a> <span style="float: right;"><u>86</u></span>
<b>PART III</b>	
ITEM 10.	<a href="#">Directors, Executive Officers and Corporate Governance</a> <span style="float: right;"><u>87</u></span>
ITEM 11.	<a href="#">Executive Compensation</a> <span style="float: right;"><u>87</u></span>
ITEM 12.	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a> <span style="float: right;"><u>87</u></span>
ITEM 13.	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a> <span style="float: right;"><u>87</u></span>
ITEM 14.	<a href="#">Principal Accounting Fees and Services</a> <span style="float: right;"><u>87</u></span>
<b>PART IV</b>	
ITEM 15.	<a href="#">Exhibits, Financial Statement Schedules</a> <span style="float: right;"><u>88</u></span>
ITEM 16.	<a href="#">Form 10-K Summary</a> <span style="float: right;"><u>88</u></span>

---

## PART I

### Cautionary Statement Regarding Forward-Looking Information

This annual report on Form 10-K contains, in addition to historical information, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this report, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “would,” “might,” “could,” “estimate,” “continue,” “anticipate,” “design,” “intend,” “plan,” “seek,” “potential,” “expect” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives, and financial needs. Forward-looking statements include, but are not limited to, statements about:

- our financial performance, including revenues, cost of revenues and operating expenses;
- government programs, policymaking and requirements relating to renewable fuels;
- the availability, future price and volatility of feedstocks and other inputs;
- the expansion of our distribution network and transportation costs;
- the future price and volatility of petroleum;
- our liquidity and working capital requirements;
- anticipated trends and challenges in our business and competition in the markets in which we operate;
- our ability to successfully implement our acquisition strategy and integration strategy;
- our ability to protect proprietary technology and trade secrets;
- our risk management activities;
- product performance, in cold weather or otherwise;
- seasonal fluctuations in our business;
- our current products as well as products we are developing;
- our ability to retain and recruit key personnel;
- our indebtedness and our compliance, or failure to comply, with restrictive and financial covenants in our various debt agreements;
- critical accounting policies and estimates, the impact or anticipated impact of recent accounting pronouncements, guidance or changes in accounting principles and future recognition of impairments for the fair value of assets, including goodwill, financial instruments, intangible assets and other assets acquired; and
- assumptions underlying or relating to any of the foregoing.

These statements reflect current views with respect to future events and are based on assumptions and subject to risks and uncertainties. We note that a variety of factors, including but not limited to those Risk Factors discussed in Item 1A, could cause actual results and experience to differ materially from the anticipated results or expectations expressed in our forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Forward-looking statements contained in this report present management’s views only as of the date of this report. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our 10-Q and 8-K reports filed with the Securities and Exchange Commission after the date hereof.

**ITEM 1. Business****General**

We focus on providing cleaner, lower carbon transportation fuels. We are North America's largest producer of advanced biofuels. We utilize a nationwide production, distribution and logistics system as part of an integrated value chain model designed to convert natural fats, oils and greases into advanced biofuels. During 2019, we sold 700 million total gallons of fuel (including fuel purchased from third parties for resale) and generated revenues of \$2.6 billion. We believe our fully integrated approach, which includes acquiring feedstock, managing biorefinery facility construction and upgrades, operating biorefineries, and distributing fuel through a network of terminals, positions us to serve the market for cleaner transportation fuels. In September 2018, we acquired Keck Energy and in July 2019, we opened our first REG branded fueling station adjacent to our biorefinery in Seneca, Illinois to serve a variety of customers from trucking fleets to local diesel vehicle owners. These are the initial parts of our downstream strategy, which is focused on three important objectives: margin expansion across the value chain, including by directing production to the most profitable geographies; realization of higher biodiesel values through blends of biodiesel into petroleum and renewable diesel; and increased demand for our biodiesel via sales of B100 to end consumers. We believe that the execution of this strategy will enable us to expand our margins, diversify sources of profitability, manage our business through varying market conditions, and increase shareholder value.

Our businesses are organized into two reportable segments - the Biomass-based Diesel segment and the Services segment. Our Biomass-based Diesel segment includes (1) the operations of the biomass-based diesel production refineries; (2) purchases and resales of biomass-based diesel, petroleum-based diesel, RINs and LCFS credits, and raw material feedstocks acquired from third parties; (3) sales of biomass-based diesel produced under toll manufacturing arrangements with third party facilities using our feedstocks; and (4) incentives received from federal and state programs for renewable fuels. In addition to biomass-based diesel, we also sell petroleum-based heating oil and diesel fuel, which enables us to offer additional biofuel blends to a broader customer base. Our Services segment, which primarily provides services to our Biomass-based Diesel Segment, includes: (1) biomass-based diesel facility management and operational services, whereby we provide day-to-day management and operational services to biomass-based diesel production facilities and (2) construction management services, whereby we act as the construction management and general contractor for the construction or upgrade of biomass-based diesel production facilities. We derive a small portion of our revenues from the sale of co-products of the biomass-based diesel production process. In 2019 and 2018, our revenues from the sale of co-products were less than five percent of our total Biomass-based diesel segment revenues. During 2019 and 2018, revenues from the sale of petroleum-based heating oil and diesel fuel acquired from third parties, along with the sale of these items further blended with biodiesel produced by our facilities or purchased from third parties, were both approximately 10% of our total revenues. The following products accounted for 10% or more of revenues for the respective periods:

Revenue	Fiscal Year Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Biomass-based diesel	78%	76%	71%
Petroleum-based diesel	10%	10%	7%

**Plant Network**

We own and operate a network of 13 biorefineries. Eleven biorefineries are located in the United States and two in Germany. Eleven biorefineries produce biodiesel, one produces renewable diesel, and one is a fermentation facility. Our twelve biomass-based diesel production facilities have an aggregate nameplate production capacity of 505 million gallons per year ("mmgy"). In August 2019, we closed our New Boston, Texas biorefinery, which had a nameplate capacity of 15 mmgy.

We own and operate the following facilities in North America and internationally:

Property	Nameplate <sup>1</sup> Production Capacity (mmgy)	Effective Capacity <sup>2</sup> (mmgy)	REG Operations Commenced	Feedstock Capability
Ralston, Iowa	30	45.7	2002	Refined Oils and Fats
Albert Lea, Minnesota	30	45.6	2005	Crude, High FFA and Refined Oils and Fats
Newton, Iowa	30	37.9	2007	Crude, High FFA and Refined Oils and Fats
Seabrook, Texas	35	50.5	2008	Refined Oils and Fats
Danville, Illinois	45	47.7	2009	Crude, High FFA and Refined Oils and Fats
Seneca, Illinois	60	73.8	2010	Crude, High FFA and Refined Oils and Fats
Mason City, Iowa	30	38.5	2013	Crude, High FFA and Refined Oils and Fats
Geismar, Louisiana	75	97.4	2014	Crude, High FFA and Refined Oils and Fats
Okeechobee, Florida <sup>3</sup>	n/a	n/a	2014	N/A
Grays Harbor, Washington	100	108.8	2015	Refined Oils and Fats
Madison, Wisconsin	20	27.2	2016	Crude, High FFA and Refined Oils and Fats
Emden, Germany	27	30.9	2016	Crude, High FFA and Refined Oils and Fats
Oeding, Germany	23	23.9	2016	Crude, High FFA and Refined Oils and Fats
<b>Total</b>	<b>505</b>	<b>627.9</b>		

<sup>1</sup> The nameplate capacity listed above is based on original plant design.

<sup>2</sup> Effective capacity represents the maximum average throughput that satisfies certain defined technical constraints.

<sup>3</sup> Okeechobee is a demo-scale fermentation facility.

We maintain a testing laboratory at our corporate headquarters in Ames, Iowa, for testing various feedstocks for conversion into biomass-based diesel and various new manufacturing processes to produce biomass-based diesel. We also have a regional office in Tulsa, Oklahoma, focused on maintaining and developing advanced biofuel technologies and renewable chemicals.

We produce renewable diesel at our Geismar, Louisiana facility. Renewable diesel generally carries a premium price compared to biodiesel as a result of a variety of factors including the ability to blend it with petroleum diesel seamlessly, better cold weather performance, and because it generates more renewable identification numbers ("RINs") on a per gallon basis. We announced in January 2020 our decision to discontinue the joint effort with Phillips 66 to construct a renewable diesel plant in Ferndale, Washington. We are evaluating opportunities to further our ability to leverage our renewable diesel technology and expand renewable diesel production to meet the growing demand for cleaner transportation fuels, including a potential expansion of our renewable diesel facility in Geismar, Louisiana.

#### Our Feedstocks and Other Inputs

We are a lower-cost, lower carbon biomass-based diesel producer. We primarily produce our biomass-based diesel from a wide variety of lower-cost, lower carbon feedstocks, including distillers corn oil, used cooking oil and inedible animal fat. We also produce biomass-based diesel from virgin vegetable oils, such as soybean oil or canola oil, which tend to be higher in price. We believe our ability to process a wide variety of feedstocks in most of our facilities provides us with a cost advantage over many biomass-based diesel producers, particularly those relying primarily on higher cost virgin vegetable oils.

We can adjust our processing in most of our facilities to accommodate different feedstocks and feedstock mixes. Our ability to use a wide range of feedstocks gives us a feedstock cost advantage over many other producers because we have the flexibility to respond to changes in feedstock pricing. In 2019, approximately 71% of our total feedstock usage was lower-cost distillers corn

oil, used cooking oil or rendered animal fat feedstock. The remaining approximately 29% consisted of refined vegetable oils, such as soybean oil or canola oil.

We procure our feedstocks from numerous vendors in quantities ranging from truckload to railcar to water vessel to pipeline. There is no established futures market for the lower-cost feedstocks that we utilize. Distillers corn oil is typically purchased on fixed priced contracts in forward positions of one to three months, and occasionally longer. We generally purchase used cooking oil and rendered animal fats on one to four week forward positions using fixed pricing or an indexed price compared to a published index such as USDA reports or recognized industry price reports such as The Jacobsen or Informa. Soybean and canola oils can be purchased on a spot or forward contract basis from several suppliers and pricing for these vegetable oils is compared to the broadly traded Soybean Oil Index of the Chicago Mercantile Exchange.

From time to time, we work with developers of next generation feedstocks, such as algae and camelina, to assist them in bringing these new feedstocks to market. We have converted several of these feedstocks, as well as other second generation feedstocks, into high quality biomass-based diesel in our laboratory and production facilities. We believe we are well positioned to incorporate many new feedstocks into our production process as they become commercially available.

We procure methanol and chemical catalysts used in our production process such as sodium methylate and hydrochloric acid, under fixed-price contracts and formula-indexed contracts based upon competitive bidding. These procurement contracts typically last from three months to one year. The price of methanol is indexed to the monthly reported published price. We also enter into a long-term supply agreement with a supplier to procure hydrogen necessary for our renewable diesel production.

#### **Distribution**

We have established a national distribution system to supply biomass-based diesel throughout the United States. Each of our biomass-based diesel facilities is equipped with an on-site rail loading system, a truck loading system, or both. Our Seneca biorefinery near the Illinois River has direct barge access for supplying customers using the inland waterways system. Our Houston biorefinery has barge and deep-water ship loading capability. Our Grays Harbor biorefinery has deep-water capability for PANAMAX class vessels. We also manage some customers' biomass-based diesel storage tanks and replenishment process. Our distribution performance for 2019 in North America is depicted below.

# North American 2019 Movement Control



In addition, we have established an international distribution system to supply biomass-based diesel throughout Europe. Our products that are produced in Europe and in the U.S. are distributed to European customers using seas vessels, barges and trucks. Our Emden biorefinery has deep-water capabilities and can load vessels, barges and trucks. Our Oeding biorefinery can only load and unload trucks. We also have storage facilities in the Amsterdam-Rotterdam-Anwerp region, which allows us to distribute our products efficiently.

As of December 31, 2019, we leased over 1,050 railcars for transportation and leased biomass-based diesel storage tanks in 45 terminals in North America and 6 terminals internationally. In general, the terminals in North America where we lease our biomass-based diesel storage tanks are largely petroleum fuel terminals so that fuel distributors and other biomass-based diesel customers can create a biomass-based diesel blend at the terminal before further distribution. Terminal contracts typically have one-to three-year terms and are generally renewable subject to certain terms and conditions. During 2019, REG sold products in 45 states in the U.S., five Canadian Provinces, and eight other countries around the world.

We sell heating oil and ultra-low sulfur diesel ("ULSD") at terminals throughout the northeastern U.S. We sell additional biofuel blends at terminal locations in the Midwest, West Coast and Texas. We continue to look for terminal expansion opportunities across North America.

## **Government Programs Favoring Biomass-Based Diesel Production and Use**

The biomass-based diesel industry benefits from numerous federal and state government programs.

### **Renewable Fuel Standard**

Biomass-based diesel has historically been more expensive to produce than petroleum-based diesel. The biomass-based diesel industry's growth has largely been the result of federal and state programs that require or incentivize production and use of biomass-based diesel, which allows biomass-based diesel to be priced competitively with petroleum-based diesel.

The RFS2 biomass-based diesel requirement became effective in 2010, requiring for the first time that a certain percentage of the diesel fuel consumed in the United States be made from renewable sources. The biomass-based diesel requirement can be satisfied by two primary fuels, biodiesel and renewable diesel. Required volumes under the RFS2 program, referred to as the renewable volume obligation ("RVO"), are determined by the United States Environmental Protection Agency, or EPA. The final RVO targets for the biomass-based diesel and advanced biofuels volumes for the years 2016 to 2021 as set by the EPA are as follows:

	2016	2017	2018	2019	2020	2021
Biomass-based diesel	1.90 billion gallons	2.00 billion gallons	2.10 billion gallons	2.10 billion gallons	2.43 billion gallons	2.43 billion gallons
Total Advanced biofuels	3.61 billion RINs*	4.28 billion RINs*	4.29 billion RINs*	4.92 billion RINs*	5.04 billion RINs*	N/A

\*Ethanol equivalent gallons

The biomass-based diesel requirement is one of four separate renewable fuel requirements under RFS2. The RFS2 requirements are based on two primary categories and two subcategories. The two primary categories are conventional renewable fuel, which is primarily satisfied by corn ethanol, and advanced biofuel, which is defined as a biofuel that reduces lifecycle greenhouse gas emissions by at least 50% compared to the petroleum-based fuel the biofuel is replacing. The advanced biofuel category has two subcategories, cellulosic biofuel, to be satisfied by newly developed cellulosic biofuels, such as ethanol made from woody biomass, and biomass-based diesel, which is satisfied by biodiesel and renewable diesel. RFS2's total advanced biofuel requirement is larger than the combined cellulosic fuel and biomass-based diesel requirements, thus requiring the use of additional volumes of advanced biofuels.

The RFS2 requirement for advanced biofuels can be satisfied by any advanced biofuel, including biodiesel, renewable diesel, biogas used in transportation, biobutanol, cellulosic ethanol or sugarcane-based ethanol, so long as it meets the 50% greenhouse gas reduction requirement.

The advanced biofuel RVO is expressed in terms of ethanol equivalent volumes, or EEV, which is based on the fuel's renewable energy content compared to ethanol. Biodiesel has an EEV of 1.5 and renewable diesel typically has an EEV of 1.7, compared to 1.0 for sugarcane-based ethanol. Accordingly, it requires less biomass-based diesel than sugarcane-based ethanol to meet the required volumes as each gallon of biomass-based diesel counts as more gallons for purposes of fulfilling the advanced biofuel RVO, providing an incentive for refiners and importers to purchase biomass-based diesel to meet their advanced biofuel RVO.

The RFS2 volume requirements apply to petroleum refiners and petroleum fuel importers in the 48 contiguous states and Hawaii, who are defined as "Obligated Parties" in the RFS2 regulations. Obligated Parties are required to incorporate into their petroleum-based fuel a certain percentage of renewable fuel or purchase credits in the form of renewable identification numbers from those who do. An Obligated Party's RVO is based on the volume of petroleum-based fuel they produce or import. The largest United States petroleum refining companies, such as Valero, Phillips 66, ExxonMobil, British Petroleum, Chevron, Shell, Marathon and Citgo, represent the majority of the total RVO, with the remainder made up of smaller refiners and importers.

### **Renewable Identification Numbers**

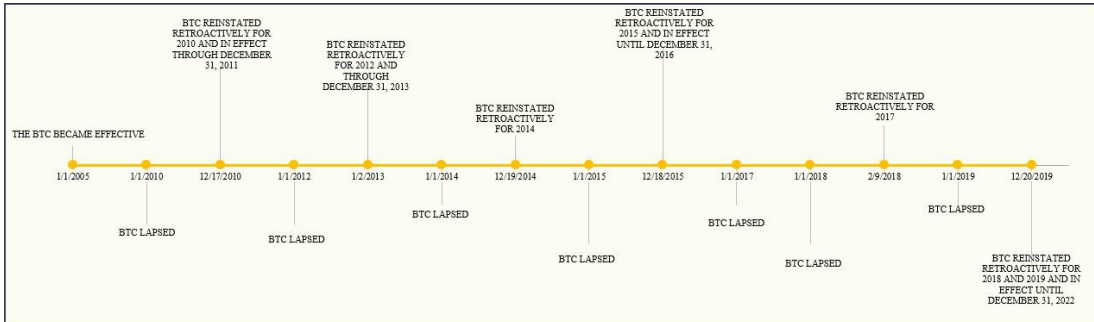
The EPA created the RIN system to track renewable fuel production and compliance with the renewable fuel standard. EPA registered producers of renewable fuel may generate RINs for each gallon of renewable fuel they produce. In the case of biomass-based diesel, generally 1.5 to 1.7 biomass-based diesel RINs may be generated for each gallon of biomass-based diesel produced, based upon the fuel's renewable energy content. Renewable fuel, including biomass-based diesel, can then be sold with associated RINs attached. RINs may also be separated from the gallons of renewable fuel they represent and once separated they may be sold as a separate commodity. RINs are ultimately used by Obligated Parties to demonstrate compliance with RFS2. Obligated Parties must obtain and retire the required number of RINs to satisfy their RVO during a particular compliance period. An Obligated Party can obtain RINs by buying renewable fuels with RINs attached, buying RINs that have been separated, or producing renewable fuels themselves. All RIN activity under RFS2 must be entered into the EPA's moderated transaction system, which tracks RIN generation, transfer and retirement. RINs are retired when used for compliance with the RFS2 requirements.



The value of RINs is significant to the price of biomass-based diesel. In 2019, RIN prices as a percentage contribution to the daily average 100% pure biodiesel (B100) spot price, as reported by the Oil Pricing Information System, or OPIS, fluctuated significantly throughout the year and ranged from a low of \$0.48 per gallon, or 18% of the average B100 spot price per gallon, in May to a high of \$0.97 per gallon, or 34% of the average spot price, in November.

**Biodiesel Tax Credit**

The federal biodiesel mixture excise tax credit, or BTC, provides a \$1.00 refundable tax credit per gallon to the first blender of biomass-based diesel with petroleum-based diesel fuel. The BTC can then be credited against federal excise tax liability or the blender can obtain a cash refund from the United States Treasury for the value of the credit. The BTC was first implemented on January 1, 2005 and has been allowed to lapse multiple times before being retroactively reinstated, as described in the following table:



The BTC is an incentive shared across the advanced biofuel production and distribution chain through routine, daily trading and negotiation. In December 2019, the BTC was retroactively reinstated for 2018 and 2019, and made effective from January 2020 through December 2022.

**California Low Carbon Fuel Standard Credits**

The California Low Carbon Fuel Standard, or LCFS, regulation is a rule designed to reduce greenhouse gas emissions associated with transportation fuels used in California. The regulation quantifies lifecycle greenhouse gas 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, or “regulated party”) is required to ensure that the overall CI score for its fuel pool meets the annual carbon intensity target for a given year. A regulated party’s fuel pool can include gasoline, diesel, and their blendstocks and substitutes.

We obtain carbon credits when we sell qualified biomass-based diesel into California. During 2019, California LCFS carbon credits ranged from \$175.00 per metric ton to \$209.00 per metric ton, as reported by OPIS.

**Oregon Clean Fuel Program**

The Oregon Clean Fuel Program requires a 10% reduction of the average carbon intensity of Oregon’s transportation fuels from 2015 levels by 2025. The baseline year for the program is 2015 and represents 10% ethanol blended with gasoline and 5% biodiesel blended with diesel. The Oregon Renewable Fuels Standard requires all gasoline sold in the state to be blended with 10% ethanol (E10). In addition, all diesel fuel sold in the state must be blended with at least 5% biodiesel.

We obtain carbon credits when we sell qualified biomass-based diesel in Oregon. During 2019, Oregon OCF carbon credits ranged from \$142.50 per metric ton to \$170.00 per metric ton, as reported by OPIS.

**Other Government Programs**

According to the U.S. Department of Energy, more than 40 states have implemented various programs that encourage the use of biomass-based diesel through blending requirements as well as various tax incentives. The chart below summarizes some of the most significant programs.

<b>Government</b>	<b>Program description</b>
Illinois	Illinois offers an exemption from the generally applicable 6.25% sales tax on fuel for biomass-based diesel blends that incentivizes blending at 11% biomass-based diesel, or B11, through December 31, 2023. Illinois' program has made that state one of the largest biomass-based diesel markets in the country.
Iowa	Iowa has a retailer's incentive for blended fuel which has been modified over time. For 2018 through 2024, retailers earn \$0.035 per gallon of 5%-10% biodiesel blends and \$0.055 per gallons for 11% and above biodiesel blends. Iowa also has a biomass-based diesel production incentive that provides \$0.02 per gallon of production capped after the first 25 million gallons per production plant. Iowa recently enacted an increase in its excise tax on fuel, which is three cents per gallon less for 11% and above biodiesel blends than the diesel fuel tax.
Texas	The biomass-based diesel portion of biomass-based diesel blends are exempt from Texas state excise tax, which results in a \$0.20 per gallon incentive for 100% pure biodiesel.
Minnesota	Minnesota law requires a 5% biodiesel blend except during the summer months when a 20% blend is required.
Washington	Washington has adopted legislation requiring biomass-based diesel blends beginning at 2% biodiesel blends with incremental increases, provided certain feedstock or production minimums are met. In addition, Washington has a heating oil tax exemption for the portion of the heating oil that is biodiesel. Washington is also in the process of developing legislation on a low carbon fuel program.
Pennsylvania	Pennsylvania has adopted legislation requiring biomass-based diesel blends beginning at 2% biodiesel blends with incremental increases, provided certain feedstock or production minimums are met.
City of New York/ New England	In October 2016, the City of New York adopted legislation requiring 5% biomass-based diesel blends for heating oil starting on October 1, 2017 and the blend level then moves to 10% in 2025, 15% in 2030 and 20% in 2034. Regional oil heat dealers will use 50% biomass-based diesel blends by 2030 to meet home heating requirements.
North Dakota	North Dakota offers a \$0.05 per gallon sales tax incentive for retailers who sell 5% and above biodiesel blends.
Municipal greenhouse gas reduction targets	Many cities across the United States have set targets to reduce greenhouse gas emissions. This includes many cities with the goal of being carbon neutral by 2050.
Canada	While a number of provinces in Canada have biofuel programs (British Columbia has an LCFS, Alberta has a usage requirement, and Ontario has a usage requirement), the federal government is currently engaged in the rulemaking process on a nationwide Clean Fuel Standard, which may incorporate a number of carbon reducing policies.

We believe that other government requirements for the use of biofuels increase demand for our biomass-based diesel within such regions and they may help increase the overall demand in addition to the RFS2 requirements. We observe that existing demand for our biofuel from Obligated Parties in connection with federal requirements may shift to regions that have use requirements or tax incentive programs.

#### **RED Program**

The Renewable Energy Directive ("RED") in the European Union ("EU") established a 10% target by 2020 for the use of renewable energy in the transport sector in EU member states. Given the existing limited market presence of alternative fuels or electromobility, the majority of the target is being achieved through biofuels. EU member states produce yearly renewable energy action plans indicating their yearly national obligations for the use of renewable energy in the transportation sector. These national obligations progressively increased every year until achieving the 10% target in 2020. Biofuels produced from certain types of feedstocks, such as used cooking oil, benefit from an extra incentive as these feedstocks count double towards the 10% target and towards the national obligations. In 2018, the EU institutions adopted the so-called RED II, which is valid during the period from 2021 to 2030 and provides additional incentives for biofuel produced from waste feedstocks and even opens new outlets such as marine fuels. Each of the EU Member States are in the process of adopting the RED II into national legislation.

#### **Competition**

We face competition from producers and suppliers of petroleum-based diesel fuel, other biomass-based diesel producers, marketers, traders and distributors. The size of the biomass-based diesel industry is small compared to the size of the petroleum-based diesel fuel industry and large petroleum companies have greater resources than we do. Our principal competitive differentiators are biomass-based diesel and RIN quality, supply reliability and price. In the United States and Canadian biomass-based diesel markets, we compete with independent biomass-based diesel producers as well as large, multi-product companies that have greater resources than we do. Archer Daniels Midland Company, Cargill Incorporated, Louis Dreyfus

Commodities Group and Ag Processing Inc. are major international agribusiness corporations and biodiesel producers with the financial, feedstock sourcing and marketing resources to be formidable competitors in the biodiesel industry. These agribusiness competitors tend to make biodiesel from higher cost virgin vegetable oils such as soybean or canola oil, which they produce as part of their integrated agribusinesses.

We are also in competition with several large and well capitalized producers of renewable diesel. Neste Corporation has approximately 882 million gallons of renewable diesel production capacity in Asia and Europe, a significant portion of which is imported into the United States. It is in the process of expanding its renewable diesel production capacity in Singapore. Diamond Green Diesel, LLC, a joint venture between Valero Energy Corporation and Darling Ingredients Inc., operates a 275 mmgy capacity renewable diesel facility and is in the process of expanding capacity to 675 mmgy by 2021. We also face the prospect that petroleum refiners will be increasingly competitive with us, either by converting oil refineries to produce renewable diesel or by co-processing renewable feedstock with crude oil. Several smaller petroleum refiners in the United States have effected conversions of their facilities from crude oil to renewables in the past year and some of the largest refiners have reportedly started co-processing renewable feedstocks or have announced plans to do so. If refinery conversions accelerate or if co-processing expands significantly, the competition we face could increase significantly.

We also face competition in the biomass-based diesel RIN compliance market from producers of renewable diesel and in the advanced biofuel RIN compliance market from producers of other advanced biofuels, such as Brazilian sugarcane ethanol producers and producers of biogas used in transportation. Competition from imported biodiesel changed significantly in 2018, when the International Trade Commission and U.S. Department of Commerce imposed countervailing duties against unfairly subsidized biodiesel exports to the U.S. from Argentina and Indonesia. According to the U.S. Energy Information Administration ("EIA") data, biodiesel imports from Argentina decreased from 437 million gallons in 2016 to 280 million gallons in 2017 and no imports entered the U.S. since August 2017. Biodiesel imports from Indonesia totaled 107 million gallons in 2016 and no imports have been reported since December 2016. However, renewable diesel imports from Singapore to the U.S. have maintained a steady rate. Imports from Singapore totaled 189 million gallons in 2017, 173 million gallons in 2018, and 252 million gallons in 2019.

In our marketing and distribution operations, besides the integrated producers, we are also faced with competition from biomass-based diesel traders such as Lincoln Energy, NGL, BP, Shell, Vitol and others. The integrated producers and traders at times may have advantages because of logistics, feedstock accessibility and price, geographical location to customers, blending infrastructure, financial resources, and risk appetite. These same trading companies may have greater financial resources than we do and are able to take significant biomass-based diesel positions in the marketplace. These competitors are often customers and/or suppliers of ours as well.

### **Risk Management**

The prices for feedstocks and biomass-based diesel, including the value associated with government incentives, can be volatile and are not always closely correlated. Lower-cost feedstocks are particularly difficult to risk manage given that such feedstocks are not traded in any public futures market. To manage feedstock and biomass-based diesel price risks, we utilize forward contracting, hedging and other risk management strategies, including the use of futures, swaps, options and over-the-counter products.

In establishing our risk management strategies, we draw from our own in-house risk management expertise and consult with industry experts. We utilize research conducted by outside firms to provide additional market information and risk management strategies. We believe combining these sources of knowledge, experience and expertise expands our view of the fluctuating commodity markets for raw materials and energy to improve our risk management strategies.

### **Seasonality and Working Capital Needs**

Our operating results and working capital needs are influenced by seasonal fluctuations in the price of and demand for biodiesel. Seasonal fluctuations may be based on both the weather and the status of both the BTC and RVO.

Demand may be higher in the quarters leading up to the expiration of the BTC as customers seek to purchase biomass-based diesel when they can benefit from the agreed upon value sharing of the BTC with producers. This higher demand prompted by an expiring BTC has often resulted in reduced demand for biodiesel in the following quarter. In addition, RIN prices may also be subject to seasonal fluctuations. The RIN is dated for the calendar year in which it is generated. Since 20% of an Obligated Party's annual RVO can be satisfied by prior year RINs, most RINs must come from biofuel produced or imported during the RVO year. As a result, RIN prices can be expected to increase as the calendar year progresses if the RIN market is undersupplied compared to that year's RVO and decrease if it is oversupplied.

Seasonal fluctuation in our business also occurs in the colder months when historically there has been reduced demand for biodiesel in northern and eastern United States markets, which are some of the primary markets in which we operate. Biodiesel

typically has a higher cloud point than petroleum-based diesel or renewable diesel. The cloud point is the temperature below which a fuel exhibits a noticeable cloudiness and eventually gels, leading to fuel handling and performance problems for customers and suppliers. Reduced demand in the winter for our higher cloud point biodiesel may result in excess supply of such higher cloud point biodiesel and lower prices for such higher cloud point biodiesel. To mitigate some of these seasonal fluctuations in demand, we have upgraded our Newton and Danville biorefineries to produce distilled biodiesel which improves cold-weather performance.

### **Environmental Matters**

Our manufacturing facilities, like other fuel and chemical production facilities, are subject to various federal, state and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground; the generation, storage, handling, use, transportation and disposal of hazardous materials; ecological and natural resources; and the health and safety of our employees, contractors and the public. These laws and regulations require us to obtain and comply with numerous environmental permits to construct and operate each facility. They can require expensive pollution control equipment or operational changes to limit actual or potential impacts to human health and the environment. A violation of these laws, regulations or permit conditions could result in substantial fines, natural resource damage, criminal sanctions, permit revocations and or facility shutdowns. We do not currently have any environmental proceedings either pending or threatened against our facilities that would materially affect our business or financial condition. Furthermore, we do not anticipate a material adverse effect on our business or financial condition as a result of our efforts to comply with these requirements as presently in effect.

### **History**

Our predecessor, REG Biofuels, LLC, formerly named REG Biofuels Inc., which was formerly named Renewable Energy Group, Inc., was formed under the laws of the State of Delaware in August 2006 upon acquiring the assets and operations of the biodiesel division of West Central Cooperative, or West Central, and two of West Central's affiliated companies, InterWest, L.C. and REG, LLC. West Central is now known as Landus Cooperative.

### **Employees**

As of December 31, 2019, we had 731 employees in the U.S. and 98 international employees. None of our U.S. employees are represented by a labor organization or under any collective bargaining agreements. We consider our relationship with our employees to be good.

### **Intellectual Property**

We own a significant number of U.S. and international patents and expect to file additional patent applications as we continue to pursue technological innovations. We have also developed trade secrets to protect our production know-how, particularly in the field of processing low-cost feedstocks.

### **Executive Officers of the Registrant**

*Cynthia J. Warner*, age 61, has served as our President and Chief Executive Officer since January 2019. Ms. Warner was Executive Vice President, Operations for Andeavor (formerly known as Tesoro Corporation) from August 2016 until Andeavor's acquisition by Marathon Petroleum Corporation in October 2018. Prior to that, Ms. Warner served as Andeavor's Executive Vice President, Strategy and Business Development, since October 2014. From 2012 to August 2014, Ms. Warner was Chairman and Chief Executive Officer of Sapphire Energy, Inc. and she continued to serve as Chairman through February 2015. From 2009 to 2011, Ms. Warner was President of Sapphire Energy. From 2007 to 2009, she was Group Vice President, Global Refining, at BP plc. Ms. Warner has served as a member of the Board of Directors of IDEX Corporation (NYSE: IEX) since February 2013 and of Sempra Energy since June 2019. She is also a member of the National Petroleum Council. Ms. Warner has a Bachelor of Engineering degree in Chemical Engineering from Vanderbilt University and an MBA from Illinois Institute of Technology.

*Chad Stone*, age 50, has served as our Chief Financial Officer since August 2009. Prior to joining REG, from October 2007 to May 2009, he was a Director at Protiviti Inc., a global business consulting and internal audit firm. From August 1997 to September 2007, Mr. Stone served as Director with PricewaterhouseCoopers and he worked at Arthur Andersen from July 1992 to August 1997, departing as a manager. Mr. Stone was elected to the governing Board of the National Biodiesel Board in 2015 and has served as Chairman since November 2019. Previously, Mr. Stone served as Vice-Chairman from November 2018 to November 2019 and as Secretary from November 2016 to November 2018. Mr. Stone served on the Executive Board of the Iowa Biodiesel Board from September 2010 to September 2016, serving as Vice-Chairman from 2014-2015. Since October 2015, Mr. Stone has served on the University of Iowa School of Management's Advisory Committee. Mr. Stone has over 20 years of experience in leading financial reporting, strategy, policy and compliance. Mr. Stone holds an M.B.A. with

concentrations in finance, economics and accounting from the University of Chicago, Graduate School of Business and a B.B.A in Accounting from the University of Iowa. He is also a Certified Public Accountant.

*Brad Albin*, age 57, has served as our Vice President, Manufacturing since February 2008. Mr. Albin joined REG in 2006. From 2002 to 2006, Mr. Albin served as Executive Director of Operations for Material Sciences Corporation, where he directed multi-plant operations for automotive and global appliance industries. From 1996 to 2002, Mr. Albin was the Vice President of Operations for Griffin Industries. Mr. Albin has over 25 years of experience in executive operations positions in multi-feedstock biomass-based diesel, chemical, food and automotive supplier companies, such as The Monsanto Company, The NutraSweet Company and Griffin Industries. Mr. Albin was a charter member of the National Biodiesel Accreditation Committee. Mr. Albin is a current director on two boards where REG has investments and was previously on the Board of Managers for Petrotec GmbH before REG acquired full ownership in 2017. Mr. Albin was previously the President and Vice President of the Iowa Renewable Fuels Association from 2011-2013. In November 2014, Mr. Albin completed the Advanced Management Program from the University of Chicago Booth School of Business and he holds a B.S. in Chemistry from Eastern Illinois University.

*Gary Haer*, age 66, has served as our Vice President, Sales and Marketing since we commenced operations in August 2006. From October 1998 to August 2006, Mr. Haer served as the National Sales and Marketing Manager for biodiesel for West Central Cooperative, now known as Landus Cooperative, and was responsible for developing the marketing and distribution infrastructure for biodiesel sales in the United States. Mr. Haer has over 20 years of experience in the biomass-based diesel industry. Mr. Haer previously served on the Executive Committee of the National Biodiesel Board's Governing Board and was Past Chairman. He held various officer positions during his tenure from 1998 to 2017. Mr. Haer holds an M.B.A. from Baker University and a B.S. in Accounting from Northwest Missouri State University.

*Eric M. Bowen*, age 48, has served as our Vice President, Corporate Business Development & Legal Affairs since January 2013, and led the REG Life Sciences business unit since January 2014 until the sale of the business unit in May of 2019. From June 2010 to January 2013, Mr. Bowen served as our Executive Director, Corporate Business Development and Legal Affairs. From 2005 to June 2010, Mr. Bowen was Founder, President and CEO of Tellurian Biodiesel, Inc. (formerly San Francisco Biodiesel), which was acquired by the Company. Prior to entering the biodiesel industry, Mr. Bowen practiced corporate and securities law in Silicon Valley. For 15 years, Mr. Bowen has been at the forefront of the development of the biodiesel and renewable diesel industries. Mr. Bowen was a founding member of the California Advanced Biofuels Alliance and served as the founding Chairman from 2007 to 2012. He also served as Chairman of the San Francisco Biodiesel Taskforce and as a member of the California LCFS Advisory Panel. Mr. Bowen has served as a member of the Board of Directors of a company in which REG has invested since November 2013. Mr. Bowen holds a J.D. from the University of California, Berkeley and a B.A. from the University of Oregon Honors College.

#### **Available Information**

Our internet address is <http://www.regi.com>. Through that address, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge as soon as reasonably practicable after they are filed with the United States Securities and Exchange Commission. The information contained on our website is not included in, or incorporated by reference into, this annual report on Form 10-K.

#### **ITEM 1A. Risk**

##### **Factors**

Our business, financial condition, results of operations and liquidity are subject to various risks and uncertainties, including those described below. As a result, the trading price of our common stock could decline.

#### ***RISKS RELATED TO FEDERAL AND STATE INCENTIVES***

**The Renewable Fuel Standard Program, a Federal law requiring the consumption of qualifying biofuels, could be repealed, curtailed or otherwise changed, which would have a material adverse effect on our revenues, operating margins and financial condition.**

We and other participants in the biomass-based diesel industry rely 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.

One of the most important of these programs is the RFS2, a Federal law which requires that transportation fuels in the United States contain a minimum amount of renewable fuel. This program is administered by the Environmental Protection Agency ("EPA"). The EPA's authority includes setting annual minimum aggregate levels of consumption in four renewable fuel categories, including the two primary categories in which our fuel competes (biomass-based diesel and advanced biofuel). The parties obligated to comply with this RVO, are petroleum refiners and petroleum fuel importers.

The petroleum industry is strongly opposed to the RFS2 and can be expected to continue to press for changes both in the RFS2 itself and in the way that it is administered by the EPA. One key point of contention is the rate of growth in the annual RVO. The RVO for biomass-based diesel was set at steadily rising levels beginning at 1.0 billion gallons in 2012 and increasing to 2.00 billion gallons in 2017. However, growth in the RVO was constrained from 2017 through 2019, as the biomass-based diesel RVO increased by only 100,000 gallons from 2.00 billion to 2.10 billion gallons while the advanced biofuel RVO increased from 4.28 billion gallons to 4.92 billion gallons. For 2020 and 2021, the EPA set the biomass-based diesel RVO at 2.43 billion gallons. The 2020 advanced biofuel RVO has been set at 5.04 billion gallons which represents zero growth in the advanced biofuels category after taking into account the increase in the cellulosic volumes. We believe that growth in the annual RVOs strongly influences our ability to grow our business and supports the price of our fuel through the RINs. The EPA's future decisions regarding the RVO will significantly influence our revenues and profit margins.

The RFS2 also grants to the EPA authority to waive a qualifying refiner's obligation to comply with RFS2 based on a determination that the program is causing severe economic harm to that refinery, which is called a small refinery exemption and can significantly harm demand for biomass-based diesel and the value of RINs. In December 2019, the EPA issued a ruling on the reallocation of the required volumes under RFS2 in an attempt to offset the effect of the small refinery exemptions. The ruling detailed the intent to redistribute the exempt volumes granted through small refinery exemptions to non-exempt obligated parties. This redistribution will be calculated on a three-year rolling average, based on the U.S. Department of Energy recommended relief. The EPA has consistently granted more relief through small refinery waivers than recommended by the Department of Energy.

The table below summarizes the small refinery waiver petitions requested, granted, denied or pending and the impacted volumes as of February 20, 2020, according to the EPA's website:

	2019	2018	2017	2016	2015
Petitions received	23	42	37	20	14
Petitions granted	—	31	35	19	7
Petitions denied or withdrawn	—	11	2	1	7
Petitions pending	23	—	—	—	—
Estimated volume of fuel exempted (million gallons)	—	13,420	17,050	7,841	3,070
Estimated Advanced Biofuel RVO Exempted (million RINs)	—	318	404	157	49
Estimated Advanced Biofuel RVO Exempted (% of Advanced biofuels RVOs)	—%	7.4%	9.4%	4.3%	1.7%

We believe that the increase in small refinery waivers granted in 2018 for the 2016 and 2017 RVO years and in 2019 for the 2018 RVO year significantly impacted the demand for and price of RINs as the average price of D4 RINs fell from \$0.82 to \$0.55 during 2018 and to a low of \$0.32 per RIN during 2019 according to OPIS data. If the EPA continues this practice, it will harm demand for and the price of RINs and thus our profitability.

Subsequent to EPA's December ruling, in January 2020, the 10th Circuit Court of Appeals issued a ruling invalidating the process EPA had been using to grant small refinery exemptions. It is uncertain what impact this ruling will have on EPA's final numbers.

The United States Congress could repeal, curtail or otherwise change the RFS2 program in a manner adverse to us. Similarly, the EPA 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 RVO, by waiving compliance with the RVO or otherwise. In addition, while Congress specified RFS2 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 EPA (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.

**Loss of or reductions in Federal and State Government tax incentives for biomass-based diesel production or consumption may have a material adverse effect on our revenues and operating margins.**

Federal and State Government tax incentives have assisted the biomass-based diesel industry by making the price of biomass-based diesel more cost competitive with the price of petroleum-based diesel fuel to the end user.

*Federal Tax Incentives*

The most significant tax incentive program has been the federal biodiesel mixture excise tax credit, referred to as the Biodiesel Tax Credit ("BTC"). Under the BTC, the first person to blend pure biomass-based diesel with petroleum-based diesel fuel receives a \$1.00-per-gallon refundable tax credit.

The BTC was established on January 1, 2005 and has lapsed and been reinstated retroactively and prospectively several times. Most recently in December 2019, the BTC was retroactively reinstated for 2018 and 2019 and is in effect from January 2020 through December 2022. Unlike the RFS2 program, the BTC has a direct effect on federal government spending and changes in federal budget policy could result in its elimination or in changes to its terms that are less beneficial to us. We cannot predict what action, if any, Congress may take with respect to the BTC after 2022. There is no assurance that the BTC will be reinstated, that it will be reinstated on the same terms or, if reinstated, that its application will be retroactive, prospective or both. Any adverse changes in the BTC can be expected to harm our results of operations and financial condition.

#### ***State Tax Incentives***

Several states have enacted tax incentives for the use of biodiesel. For example, Illinois has a generally applicable 6.25% sales tax, but offers an exemption from this tax for a blend of fuel that consists of greater than 10% biodiesel. In Iowa, for 2018 through 2024, retailers earn \$0.035 per gallon for 5%-10% biodiesel blends and \$0.055 per gallon for 11% and above blends. Iowa also has a biomass-based diesel production incentive that provides \$0.02 per gallon of production capped after the first 25 million gallons per production plant. The biodiesel and renewable diesel portion of fuel blends are exempt from Texas state excise tax, which results in a \$0.20 per gallon incentive. Minnesota law requires a 5% biodiesel blend except during the summer months when a 20% biodiesel blend is required. State budget or other considerations could cause the modification or elimination of tax incentive programs. The curtailment or elimination of such incentives could materially and adversely affect our revenues and profitability.

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

We estimate that our revenues from the sale of renewable fuel in California and from sales of credits received under LCFS were approximately \$490 million in 2019. The LCFS is designed to reduce greenhouse gas 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 greenhouse gas 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 receive LCFS credits when we sell qualified fuels in California. As a result of the trading price of LCFS credits, California has become a desirable market in which to sell our biomass-based diesel. In 2019, LCFS credit prices ranged from \$195 per credit on January 2, 2019 to \$206 per credit on December 31, 2019. As a result, an increasing percentage of our revenue and profit is related to sales to California and LCFS credit values. If the value of LCFS credits were to materially decrease as a result of greater supply or reduced demand for our fuels, if the fuel we produce 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.

#### ***RISKS RELATED TO OUR BUSINESS OPERATIONS AND THE MARKETS IN WHICH WE OPERATE***

#### **We derive a substantial portion of our profitability from the production of renewable diesel at our plant located in Geismar, Louisiana and any interruption in our operations at this facility would have a material adverse effect on our results of operations and financial conditions.**

Renewable diesel carries a premium price to biodiesel as a result of a variety of factors including the ability to blend it with petroleum diesel seamlessly, better cold weather performance, and because it generates more RINs on a per gallon basis. We estimate that our renewable diesel production facility in Geismar, Louisiana generated a significant portion of our adjusted EBITDA in 2018 and 2019. We experienced two fires at this facility in 2015 that each resulted in the plant being shut down for a lengthy period. If production at this facility were interrupted again due to a fire or for any other reason, it would have a disproportionately significant and material adverse impact on our results of operations and financial conditions.

#### **Increased industry-wide production of biodiesel as a result of potential utilization of existing excess production capacity, announced large plant expansions of renewable diesel and potential co-processing of renewable diesel by petroleum refiners, could reduce prices for our fuel and increase the cost of feedstocks used to produce them, which would seriously harm our revenues and results of operations.**

If additional volumes of advanced biofuel RIN production come online and the EPA does not increase the RVO in accordance with the increased production, the volume of advanced biofuel RINs generated could exceed the volume required under the RFS2. In the event this occurs, biomass-based diesel and advanced biofuel RIN prices would be expected to decrease, potentially significantly, harming demand for our products and our profitability.

According to the EPA, in 2018, 4.1 billion gallons per year of biomass-based diesel production capacity in the United States were registered under the RFS2 program. This amount far exceeds both historic consumption of biomass-based diesel in the United States and required consumption under the RFS2.

Additionally, several leading biomass-based diesel companies have announced their intention to expand their production of renewable diesel for the U.S. market. World Energy has announced that it will expand capacity at its Los Angeles area biorefinery from its existing 45 mmgy to over 300 mmgy. Diamond Green Diesel, the largest U.S. producer of renewable diesel, is expanding its 275 million mmgy capacity by 400 mmgy. Neste, the largest global producer of renewable diesel, is expanding its Singapore facility which exports a significant portion of its production to the U.S. West Coast.

Further, due to the economic incentives available, several petroleum refiners have started or may soon start to produce co-processed renewable diesel, or CPRD. CPRD uses the same feedstocks we use to produce biomass-based diesel and it generates an advanced biofuel RIN. CPRD may be more cost-effective to produce than biomass-based diesel, particularly biodiesel.

If production of competitive advanced biofuels increases significantly as a result of utilization of existing excess production capacity or new capacity as described above, competition for a relatively fixed supply of feedstocks would increase significantly, harming our margins. Furthermore, if supply of advanced biofuels exceeds demand, prices for our renewable fuel and for RINs and other credits may decrease significantly, harming our profitability and potentially forcing us to idle our facilities.

**Our gross margins are dependent on the spread between biomass-based diesel prices and feedstock costs, each of which are volatile and can cause our results of operations to fluctuate substantially.**

Biomass-based diesel has traditionally been marketed primarily as an additive or alternative to petroleum-based diesel fuel, and, as a result, biomass-based diesel prices have been heavily influenced by the price of petroleum-based diesel fuel, adjusted for government incentives supporting renewable fuels, more so than biomass-based diesel production costs. The absence of a close correlation between production costs and biomass-based diesel prices means that we may be unable to pass increased production costs on to our customers in the form of higher prices. If there is a decrease in the spread between biomass-based diesel prices and feedstock costs, whether as a result of an increase in feedstock prices or as a result of a reduction in biomass-based diesel and credit prices, our gross margins, cash flow and results of operations would be adversely affected.

Energy prices, particularly the market price for crude oil, are volatile. The NYMEX ULSD prices ranged from a low of \$1.70 per gallon to a high of \$2.12 per gallon in 2019. Petroleum prices are volatile due to global factors, such as the impact of wars, political uprisings, new extraction technologies and techniques, OPEC production quotas, worldwide economic conditions, changes in refining capacity and natural disasters.

In addition, an element of the price of biomass-based diesel that we produce is the value of the associated credits, including RINs. RIN prices in the biomass-based diesel category as reported by OPIS stayed at a low level in 2019, ranging from \$0.32 to \$0.65 per RIN while in 2018, RIN prices ranged from \$0.31 to \$0.91 per RIN. For the past several years there has been significant volatility in RIN prices. Reductions in RIN values, such as those experienced in prior years, may have a material adverse effect on our revenues and profits as they directly reduce the value that we are able to capture for our biomass-based diesel.

A decrease in the availability or an increase in the price, of feedstocks may have a material adverse effect on our financial condition and operating results. The price and availability of feedstocks and other raw materials may be influenced by general economic, market and regulatory factors. These factors include weather conditions, farming decisions, government policies and subsidies with respect to agriculture and international trade and global supply and demand. During periods when the BTC has lapsed, biomass-based diesel producers may elect to continue purchasing feedstock and producing biomass-based diesel at negative margins under the assumption the BTC will be retroactively reinstated, and consequently, the price of feedstocks may not decrease to a level proportionate to current operating margins. Increasing production of biomass-based diesel and, particularly recent and prospective expansion of renewable diesel capacity, the development of alternative fuels and renewable chemicals also puts pressure on feedstock supply and availability to the biomass-based diesel industry. The biomass-based diesel industry may have difficulty in procuring feedstocks at economical prices if competition for biomass-based diesel feedstocks increases due to newly added capacity.



Historically, the spread between biomass-based diesel prices and feedstock costs has varied significantly. Although actual yields vary depending on the feedstock quality, the average monthly spread between the price per gallon of B100 as reported by The Jacobsen Publishing Company, and the price per gallon for the amount of choice white grease necessary to produce one gallon of B100 was \$1.20 in 2017, \$1.38 in 2018 and \$0.98 in 2019, assuming eight pounds of choice white grease yields one gallon of biomass-based diesel. The average monthly spread for the amount of crude soybean oil required to produce one gallon of B100, based on the nearby futures contract as reported on the Chicago Board of Trade, was \$0.64 in 2017, \$0.76 in 2018 and \$0.60 in 2019, assuming 7.5 pounds of soybean oil yields one gallon of biomass-based diesel. For each year from 2017 to 2019, approximately 73%, 77% and 71%, respectively, of our annual total feedstock usage was distillers corn oil, used cooking oil or inedible animal fat, and approximately 27%, 23% and 29%, respectively, was virgin vegetable oils. When the spread between biomass-based diesel prices and feedstock prices narrows, our profitability will be harmed.

**Risk management transactions could significantly increase our operating costs and may not be effective.**

In an attempt to partially offset the effects of volatile feedstock costs and biomass-based diesel fuel prices, we enter into contracts that establish market positions in feedstocks, such as distillers corn oil, used cooking oil, inedible animal fats and soybean oil, along with related commodities, such as heating oil and ultra-low sulfur diesel ("ULSD"). The financial impact of such market positions depends on commodity prices at the time that we are required to perform our obligations under these contracts as well as the cumulative sum of the obligations we assume under these contracts.

Risk management activities can themselves result in losses when a position is purchased in a declining market or a position is sold in a rising market. Risk management arrangements expose us to the risk of financial loss in situations where the counterparty defaults on its contract or, in the case of exchange-traded or over-the-counter futures or options contracts, where there is a change in the expected differential between the underlying price in the contract and the actual prices paid or received by us. Changes in the value of these futures instruments are recognized in current income and may result in margin calls. We had risk management losses of \$28.9 million from our derivative financial instrument trading activity for the year ended December 31, 2019, compared to risk management gains of \$18.4 million for the year ended December 31, 2018. At December 31, 2019, the net notional volumes of NY Harbor ULSD, CBOT Soybean Oil and NYMEX Natural Gas covered under the open risk management contracts were approximately 54.6 million gallons and 120.4 million pounds and 2.1 million million British thermal units, respectively. A 10% positive change in the prices of NYMEX NY Harbor ULSD would have a negative effect of \$11.0 million on the fair value of these instruments at December 31, 2019. A 10% adverse change in the price of CBOT Soybean Oil would have had a negative effect of \$4.2 million on the fair value of these instruments at December 31, 2019. If these adverse changes in derivative instrument fair value were to occur in larger magnitude or simultaneously, a significant amount of liquidity would be needed to fund margin calls. In addition, we may also vary the amount of risk management strategies we undertake, or we may choose not to engage in risk management transactions at all. Our results of operation may be negatively impacted if we are not able to manage our risk management strategy effectively.

**One customer accounted for a meaningful percentage of revenues and a loss of this customer could have an adverse impact on our total revenues.**

One customer, Pilot Travel Centers LLC ("Pilot"), the largest operator of travel centers in North America, accounted for 11%, 12% and 22% of our total gallons sold in each of 2019, 2018 and 2017, respectively. In the event we lose Pilot as a customer or Pilot significantly reduces the volume of biomass-based diesel purchased from us, it could be difficult to replace the lost revenues, and our profitability and cash flow could be materially harmed. We do not have a long-term contract with Pilot that ensures a continuing level of business from Pilot.

**Our facilities and our customers' facilities are subject to risks associated with fire, explosions, leaks, and natural disasters, which may disrupt our business and increase costs and liabilities.**

Because biomass-based diesel and some of its inputs and outputs are combustible and/or flammable, a leak, fire or explosion may occur at a plant or customer's facility which could result in damage to the plant and nearby properties, injury to employees and others, and interruption of operations. For example, we experienced fires at our Geismar facility in April 2015 and again in September 2015 and there was a fire at our Madison facility in June 2017. As a result of these fires, people were injured, and the affected facilities were shut down for lengthy periods while repairs and upgrades were completed.

The operations at our facilities are also subject to the risk of natural disasters. Our Houston and Geismar facilities, due to their Gulf Coast locations, are vulnerable to hurricanes and flooding, which may cause plant damage, injury to employees and others and interruption of operations. For example, in August 2016 we experienced reduced operating days at our Geismar facility as a result of local area flooding and reduced operating days at our Houston facility as a result of Hurricane Harvey in August 2017. A majority of our facilities are located in the Midwest and are subject to tornado activity. In addition, California has become one of our largest markets, serviced by our Geismar and Midwest facilities. An earthquake or other natural disaster could disrupt our ability to transport, store and deliver products to the California market.

If we experience a fire or other serious incident at our facilities or if any of our facilities is affected by a natural disaster, we may incur significant additional costs including, among other things, loss of profits due to unplanned temporary or permanent shutdowns of our facilities, or the means of transporting our products, cleanup costs, liability for damages or injuries, legal expenses and reconstruction expenses, which would harm our results of operations and financial condition.

**In addition to biodiesel and renewable diesel, we store and transport petroleum-based motor fuels. The dangers inherent in the storage and transportation of fuels could cause disruptions in our operations and could expose us to potentially significant losses, costs or liabilities.**

We store fuel in aboveground storage tanks and transport fuel in our own trucks as well as with third-party carriers. Our operations are subject to significant hazards and risks inherent in transporting and storing fuel. These hazards and risks include, but are not limited to, traffic accidents, fires, explosions, spills, discharges, and other releases, any of which could result in distribution difficulties and disruptions, environmental pollution, governmentally-imposed fines or clean-up obligations, personal injury or wrongful death claims, and other damage to our properties and the properties of others. Any such event not covered by our insurance could have a material adverse effect on our business, financial condition and 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 intend to maintain insurance at levels that we believe are appropriate for our business and consistent with industry practice, we will not be fully insured against all risks. In addition, pollution, environmental risks and the risk of natural disasters 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.

**We operate in a highly competitive industry and competition in our industry will increase if new participants enter the biomass-based diesel or advanced biofuels business.**

We operate in a very competitive environment. The biomass-based diesel industry primarily comprises smaller entities that engage exclusively in biodiesel production, large integrated agribusiness companies that produce biodiesel along with their soybean crush businesses and increasingly, integrated petroleum companies producing renewable diesel. We face competition for capital, labor, feedstocks and other resources from these companies. In the United States, we compete with soybean processors and refiners, including Archer-Daniels-Midland Company, Cargill, and Louis Dreyfus Commodities. In addition, petroleum refiners are increasingly entering into renewable diesel production. Such petroleum refiners include Neste Corporation with approximately 882 mmgy of global renewable diesel production capacity in Asia and Europe, and Valero Energy Corporation through its Diamond Green Diesel joint venture that operates an approximately 275 mmgy capacity renewable diesel facility in Norco, Louisiana that is in the process of being expanded by 400 mmgy. In addition, petroleum refiners such as Sinclair, British Petroleum and Marathon Petroleum Corporation have announced that they have begun co-processing renewable diesel at certain of their refineries. All of these named competitors have greater financial resources than we do and may be able to produce biomass-based diesel at a lower cost than we do due to their integrated operations or greater refining capacity.

Petroleum companies and diesel retailers form the primary distribution networks for marketing biomass-based diesel through blended petroleum-based diesel. If these companies increase their direct or indirect biomass-based diesel production, including in the form of co-processing, there will be less need to purchase biomass-based diesel from independent biomass-based diesel producers like us. Such a shift in the market would materially harm our operations, cash flows and profitability.

**We are dependent upon one supplier to provide hydrogen necessary to execute our renewable diesel production process and the loss of this supplier could disrupt our production process.**

Our Geismar facility relies on one supplier to provide hydrogen necessary to execute the production process. Any disruptions to the hydrogen supply during production from this supplier will result in the shutdown of our Geismar plant operations.

**Technological advances and changes in production methods in the biomass-based diesel industry could render our plants obsolete and adversely affect our ability to compete.**

It is expected that technological advances in biomass-based diesel production methods will continue to occur and new technologies for biomass-based diesel production may develop. Advances in the process of converting oils and fats into biodiesel and renewable diesel, including CPRD, could allow our competitors to produce biomass-based diesel faster and more efficiently and at a substantially lower cost. In addition, we currently produce biomass-based diesel to conform to or exceed standards established by the American Society for Testing and Materials ("ASTM"). ASTM standards for biomass-based diesel and biomass-based diesel blends may be modified in response to new technologies from the industries involved with diesel fuel.

New standards or production technologies may require us to make additional capital investments in, or modify, plant operations to meet these standards. If we are unable to adapt or incorporate technological advances into our operations, our production facilities could become less competitive or obsolete. Further, it may be necessary for us to make significant expenditures to acquire any new technology, acquire licenses or other rights to technology and retrofit our plants in order to incorporate new technologies and remain competitive. There is no assurance that we will be able to obtain such technologies, licenses or rights on favorable terms. If we are unable to obtain, implement or finance new technologies, our production facilities could be less efficient than our competitors, and our ability to produce biomass-based diesel on a competitive level may be harmed, negatively impacting our revenues and profitability.

**Our intellectual property is integral to our business. If we are unable to protect our intellectual property, or others assert that our operations violate their intellectual property, our business could be adversely affected.**

Our success depends in part upon our ability to protect and prevent others from using our intellectual property. Failure to obtain or maintain adequate intellectual property protection could adversely affect our competitive business position. We rely on a combination of intellectual property rights, including patents, copyrights, trademarks and trade secrets in the United States and in select foreign countries. Effective patent, copyright, trademark and trade secret protection may be unavailable, limited or not applied for in some countries.

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 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 knowhow 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. Despite the existence of these agreements, third parties may independently develop substantially equivalent proprietary information and techniques.

It may be difficult for us to protect and enforce our intellectual property. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. If we pursue litigation to assert our intellectual property rights, an adverse judicial decision in any legal action could limit our ability to assert our intellectual property rights, limit our ability to develop new products, limit the value of our technology or otherwise negatively impact our business, financial condition and results of operations.

A competitor could seek to enforce intellectual property claims against us. Defending intellectual property rights claims asserted against us, regardless of merit, could be time-consuming, expensive to litigate or settle, divert management resources and attention and force us to acquire intellectual property rights and licenses, which may involve substantial royalty payments. Further, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages or limit operations.

**Increases in our transportation costs or disruptions in our transportation services could have a material adverse effect on our business.**

Our business depends on transportation services to deliver raw materials to us and finished products to our customers. The costs of these transportation services are affected by the volatility in fuel prices or other factors. For example, from January 2016 to mid-2018, diesel prices increased from just over one dollar per gallon to over two dollars per gallon for the second and third quarters of 2018. Prices increased moderately throughout 2019 with the prices approaching two dollars at the end of the year.

Changes in fuel prices, and thus changes in our transportation costs, can be drastic and unpredictable. Our transportation costs are also affected by U.S. oil production in the Bakken, which has had a significant impact on tank car availability and prices. If oil production from this area increases, the demand for rail cars will rise and will significantly increase rail car prices. We have not been able in the past, and may not be able in the future, to pass along part or all of any of these price increases to customers.

If we continue to be unable to increase our prices as a result of increased fuel costs charged to us by transportation providers, our gross margins may be materially adversely affected. If any transportation providers fail to deliver raw materials to us in a timely manner, we may be unable to manufacture products on a timely basis. Shipments of products and raw materials may be delayed due to weather conditions, strikes or other events. Any failure of a third-party transportation provider to deliver raw materials or products in a timely manner could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our business, financial condition and results of operations.

**Global health crises may adversely affect our financial condition.**

Our business, the businesses of our customers and the businesses of our suppliers could be materially and adversely affected by the risks, or the public perception of the risks, related to a pandemic or other health crisis, such as the recent outbreak of the novel coronavirus COVID-19. A significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our products and likely impact our operating results. Such events could result in the complete or partial closure of one or more of our manufacturing facilities, the interruption of our distribution system, temporary or long-term disruption in our supply chains from local and international suppliers, or delays in the delivery of our product. If the impact of an outbreak continues for an extended period, it could materially adversely impact our supply chain and the growth of our revenues.

**We are dependent upon our key management personnel and other personnel whereby the loss of any of these persons could adversely affect our results of operations.**

Our success depends on the abilities, expertise, judgment, discretion, integrity and good faith of our management and employees to manage the business and respond to economic, market and other conditions. We are highly dependent upon key members of our relatively small management team and employee base that possess unique technical skills for the execution of our business plan. There can be no assurance that any individual will continue in his or her capacity for any particular period of time or that replacement personnel with comparable skills could be found. The inability to retain our management team and employee base or attract suitably qualified replacements and additional staff could adversely affect our business. The loss of employees could delay or prevent the achievement of our business objectives and have a material adverse effect upon our results of operations and financial position.

**We may encounter difficulties in effectively integrating the businesses we acquire, including our international businesses where we have limited operating history.**

We may face significant challenges in effectively integrating entities and businesses that we acquire, and we may not realize the benefits anticipated from such acquisitions. Achieving the anticipated benefits of our acquired businesses will depend in part upon whether we can integrate our businesses in an efficient and effective manner. Our integration of acquired businesses involves a number of risks, including:

- difficulty in integrating the operations and personnel of the acquired company;
- difficulty in effectively integrating the acquired technologies, products or services with our current technologies, products or services;
- demands on management related to the increase in our size after the acquisition;
- the diversion of management's attention from daily operations to the integration of acquired businesses and personnel;
- failure to achieve expected synergies and costs savings;
- difficulties in the assimilation and retention of employees;
- difficulties in the assimilation of different cultures and practices, as well as in the assimilation of broad and geographically dispersed personnel and operations;
- difficulties in the integration of departments, systems, including accounting systems, technologies, books and records and procedures, as well as in maintaining uniform standards and controls, including internal control over financial reporting, and related procedures and policies;
- incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our operating results;
- the need to fund significant working capital requirements of any acquired production facilities;

- potential failure of the due diligence processes to identify significant problems, liabilities or other shortcomings or challenges of an acquired company or technology, including but not limited to, issues with the acquired company's intellectual property, product quality, environmental liabilities, data back-up and security, revenue recognition or other accounting practices, employee, customer or partner issues or legal and financial contingencies;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition, including but not limited to, claims from terminated employees, customers, former stockholders or other third parties; and
- incurring significant exit charges if products or services acquired in business combinations are unsuccessful.

Our ability to recognize the benefit of our acquisition of two biodiesel production facilities in Germany and associated business operations, or any other international operations we may invest in the future, will require the attention of management and is subject to a number of risks. Our experience operating a biorefinery and other business operations outside of the United States is limited. In addition, while the biodiesel market in Europe benefits from regulations that encourage the use of biodiesel, these regulations are subject to political and public opinion and may be changed. In addition, expanding our operations internationally subjects us to the following risks:

- recruiting and retaining talented and capable management and employees in foreign countries;
- challenges caused by distance, language and cultural differences;
- protecting and enforcing our intellectual property rights;
- difficulties in the assimilation and retention of employees;
- the inability to extend proprietary rights in our technology into new jurisdictions;
- currency exchange rate fluctuations;
- general economic and political conditions in foreign jurisdictions;
- foreign tax consequences;
- foreign exchange controls or U.S. tax laws in respect of repatriating income earned in countries outside the United States;
- compliance with the U.S.'s Foreign Corrupt Practices Act and other similar anti-bribery and anti-corruption regulations;
- political, economic and social instability;
- higher costs associated with doing business internationally; and
- export or import regulations as well as trade and tariff restrictions.

Our failure to successfully manage and integrate our acquisitions could have an adverse effect on our operating results, ability to recognize international revenue, and our overall financial condition.

**We incur significant expenses to maintain and upgrade our operating equipment and plants, and any interruption in the operation of our facilities may harm our operating performance.**

We regularly incur significant expenses to maintain and upgrade our equipment and facilities. The machines and equipment that we use to produce our products are complex, have many parts and some are run on a continuous basis. We must perform routine maintenance on our equipment and will have to periodically replace a variety of parts such as motors, pumps, pipes and electrical parts. In addition, our facilities require periodic shutdowns to perform major maintenance and upgrades. These scheduled shutdowns of facilities result in decreased sales and increased costs in the periods in which a shutdown occurs and could result in unexpected operational issues in future periods as a result of changes to equipment and operational and mechanical processes made during the shutdown period.

**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.**

While renewable diesel has the same chemical composition as petroleum diesel and can utilize the same distribution infrastructure, biodiesel has a different chemical composition and may require separate or additional infrastructure. Growth in the biodiesel market depends on continued 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 often beyond our control. Also, we compete with other biofuel companies for access to some of the key infrastructure components such as pipeline, terminal and underground storage tank capacity. As a result, increased production of biodiesel 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.

**Our business is subject to seasonal changes based on regulatory factors and weather conditions and this seasonality could cause our revenues and operating results to fluctuate.**

Our operating results are influenced by seasonal fluctuations in the price of and demand for biomass-based diesel. Seasonal fluctuations may be based on both the weather and the status of both the BTC and RVO.

Demand for our biomass-based diesel may be higher in the quarters leading up to the expiration of the BTC as customers seek to purchase biomass-based diesel when they can benefit from the agreed upon value sharing of the BTC with producers. This higher demand prompted by an expiring BTC has often resulted in reduced demand for biodiesel in the following quarter. In addition, RIN prices may also be subject to seasonal fluctuations. The RIN is dated for the calendar year in which it is generated. Since 20% of an Obligated Party's annual RVO can be satisfied by prior year RINs, most RINs must come from biofuel produced or imported during the RVO year. As a result, RIN prices can be expected to increase as the calendar year progresses if the RIN market is undersupplied compared to that year's RVO and decrease if it is oversupplied.

Weather also impacts our business because biodiesel typically has a higher cloud point than petroleum-based or renewable diesel. The cloud point is the temperature below which a fuel exhibits a noticeable cloudiness and eventually gels, leading to fuel handling and performance problems for customers and suppliers. Reduced demand in the winter for our higher cloud point biodiesel may result in excess supply of such higher cloud point biodiesel and lower prices for such higher cloud point biodiesel. Most of our production facilities are located in colder Midwestern states and our costs of shipping biodiesel to warmer climates generally increase in cold weather months.

The tendency of biodiesel to gel in colder weather may also result in long-term storage problems. In cold climates, fuel may need to be stored in a heated building or heated storage tanks, which results in higher storage costs. Higher cloud point biodiesel may have other performance problems, including the possibility of particulate formation above the cloud point which may result in increased expenses as we try to remedy these performance problems, including the costs of extra cold weather treatment additives. Remedying these performance problems may result in decreased yields, lower process throughput or both, as well as substantial capital costs. Any reduction in the demand for our biodiesel product, or the production capacity of our facilities will reduce our revenues and have an adverse effect on our cash flows and results of operations.

**Failure to comply with governmental regulations, including EPA requirements relating to RFS2, could result in the imposition of penalties, fines, or restrictions on our operations and remedial liabilities.**

The biomass-based diesel industry is subject to extensive federal, state and local laws and regulations. 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, and regardless of whether current or prior operations were conducted consistent with the accepted standards of practice. Many of our assets and plants were acquired from third parties and we may incur costs to remediate property contamination caused by previous owners. 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.

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 in general and on our results of operations, competitive position or financial condition. We are unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would significantly increase our cost of doing business or affect our operations in any area.

We are subject to various laws and regulations related to RFS2, most significantly regulations related to the generation and dissemination of RINs. These regulations are highly complex and continuously evolving, requiring us to periodically update our compliance systems. In 2014, the EPA issued a final rule to establish a quality assurance program and the EPA also implemented regulations related to the generation and sale of biomass-based diesel RINs. Compliance with these or any new regulations or Obligated Party verification procedures could require significant expenditures to attain and maintain compliance. Any violation of these regulations by us, could result in significant fines and harm our customers' confidence in the RINs we issue, either of which could have a material adverse effect on our business.

**Renewable diesel fuel is superior to biodiesel in certain respects and if renewable diesel production capacity increases to a sufficient extent, it could largely supplant biodiesel as the renewable fuel of choice; we may not be successful in expanding our renewable diesel production capacity.**

Renewable diesel is not as widely available as biodiesel, but it has certain characteristics that favorably distinguish it from biodiesel and as a result renewable diesel carries a price premium compared to biodiesel. For example, renewable diesel has very similar chemical properties to petroleum-based diesel, which permits 100% renewable diesel (unlike 100% biodiesel) to flow through the same fuel storage and distribution network as petroleum diesel. Renewable diesel can also be used in its pure form in modern engines rather than as a blend with petroleum diesel and has similar cold weather performance as petroleum diesel. Renewable diesel and co-processed renewable diesel may receive 1.6 or 1.7 RINs per gallon, whereas biodiesel receives 1.5 RINs per gallon. As the value of RINs increases, this RIN advantage makes renewable diesel more cost-effective, both as a petroleum-based diesel substitute and for meeting RFS2 requirements. If renewable diesel proves to have superior performance characteristics and is more cost-effective than biodiesel, revenues from our biodiesel plants and our results of operations would be adversely impacted.

In view of the demand and price premium for renewable diesel, we are evaluating opportunities to expand our renewable diesel operations. We are evaluating a large-scale expansion of our renewable diesel facility in Geismar, Louisiana. If we elect to undertake this project to expand our renewable diesel capacity, we will be required to make substantial capital expenditures, we may incur significant indebtedness and there is no assurance that the new or expanded operations will operate profitably or profitably enough to support the investment we make.

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

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

Under the Energy Independence and Security Act of 2007 (“EISA”), the EPA 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 only such triennial report was released in February 2012. The 2012 report concludes that (1) the extent of negative impacts to date are limited in magnitude and are primarily associated with the intensification of corn production; (2) whether future impacts are positive or negative will be determined by the choice of feedstock, land use change, cultivation and conservation practices; and (3) realizing potential benefits will require implementation and monitoring of conservation and best management practices, improvements in production efficiency, and implementation of innovative technologies at commercial scales. Should future EPA triennial studies, or other analyses find that biofuel production and use has resulted in, or could in the future result in, adverse environmental impacts, such findings could also negatively impact public perception and acceptance of biofuel as an alternative fuel, which also could result in the loss of political support. To the extent that state or federal laws are modified, or public perception turns against biomass-based diesel, use requirements such as RFS2 and state tax incentives may not continue, which could materially harm our ability to operate profitably.

**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 petroleum-based diesel fuel, which could harm air quality. Nitrogen oxide is a contributor to ozone and smog. While newer diesel engines are believed to eliminate any such increase, emissions from older vehicles 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 may act to regulate potential nitrogen oxide emissions from biodiesel. California adopted regulations that limit the volume of biodiesel that can be used or requires an additive to reduce potential emissions. 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 petroleum-based diesel or renewable diesel, which would negatively impact our ability to sell biodiesel in such states and therefore have an adverse effect on our revenues and profitability.

## **RISKS RELATED TO OUR INDEBTEDNESS**

**We and certain subsidiaries have indebtedness, which subjects us to potential defaults, that could adversely affect our ability to raise additional capital to fund our operations and limits our ability to react to changes in the economy or the biomass-based diesel industry.**

At December 31, 2019, our total term debt before debt issuance costs was \$106.0 million. This includes \$69.7 million aggregate carrying value on our \$89.6 million face amount, 4.00% convertible senior notes due in June 2036, which we refer to as the "2036 Convertible Senior Notes". At December 31, 2019, our total term debt also includes borrowings at our Danville facility of \$6.5 million, at our Ralston facility of \$16.0 million, at our Grays Harbor facility of \$7.0 million and at REG Capital LLC. of \$6.9 million.

Our indebtedness could:

- require us to dedicate a substantial portion of our cash flow from operations to payments of principal, interest on, and other fees related to such indebtedness, thereby reducing the availability of our cash flow to fund working capital and capital expenditures, and for other general corporate purposes;
- increase our vulnerability to general adverse economic and biomass-based diesel industry conditions, including interest rate fluctuations, because a portion of our revolving credit facilities are and will continue to be at variable rates of interest;
- limit our flexibility in planning for, or reacting to, changes in our business and the biomass-based diesel industry, which may place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit among other things, our ability to borrow additional funds.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the 2036 Convertible Senior Notes, depends on our future financial performance, which is subject to several factors including economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to satisfy our obligations under our indebtedness or any future indebtedness we may incur as well as our ability to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional capital on terms that may be onerous or highly dilutive. Our ability to refinance our existing or future indebtedness will depend on the conditions in the capital markets and our financial condition prior to maturity of the indebtedness.

**We may still incur significant additional indebtedness. Incurring more indebtedness could increase the risks associated with our indebtedness.**

We and our subsidiaries may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. As of December 31, 2019, we had \$101.5 million of undrawn availability under our lines of credit, subject to borrowing base limitations. In addition, the indentures governing our convertible notes do not prevent us from incurring additional indebtedness or other liabilities that constitute indebtedness. If new debt or other liabilities are added to our current debt levels, the related risks that we and our subsidiaries now face could intensify.

**We may not have the ability to raise the funds necessary to settle conversions of our convertible notes in cash or to repurchase the convertible notes for cash upon a fundamental change or on a repurchase date, and our future debt may contain limitations on our ability to repurchase the convertible notes.**

Holders of the 2036 Convertible Senior Notes will have the right to require us to repurchase their 2036 Convertible Senior Notes upon the occurrence of a fundamental change at a repurchase price generally equal to 100% of their principal amount, plus accrued and unpaid interest, if any.

Holders of the 2036 Convertible Senior Notes will also have the right to require us to repurchase their notes on each of June 15, 2021, June 15, 2026 and June 15, 2031 at a repurchase price generally equal to 100% of their principal amount, plus accrued and unpaid interest, if any.

In addition, holders of the 2036 Convertible Senior Notes have the right to convert their notes during any calendar quarter when the last reported sale price of our common stock for 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price of \$14.01.

For the 2036 Convertible Senior Notes, our current intent is to settle conversions using cash for the principal amount of convertible senior notes converted, with the remaining value satisfied at the Company's option in cash, stock or a combination of cash and stock. However, we may not have enough available cash or be able to obtain financing at the time we are required



to make repurchases of the 2036 Convertible Senior Notes upon a fundamental change or to settle conversion of the 2036 Convertible Senior Notes in cash.

In addition, our ability to repurchase the 2036 Convertible Senior Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase 2036 Convertible Senior Notes at a time when the repurchase is required by the indenture would constitute a default under the indenture governing the 2036 Convertible Senior Notes. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the convertible notes.

**Certain provisions in the indenture governing the 2036 Convertible Senior Notes could delay or prevent an otherwise beneficial takeover or takeover attempt of us.**

Certain provisions in the 2036 Convertible Senior Notes and the indenture could make it more difficult or more expensive for a third party to acquire us. For example, if a takeover would constitute a fundamental change, holders of the 2036 Convertible Senior Notes will have the right to require us to repurchase their 2036 Convertible Senior Notes in cash. In addition, if a takeover constitutes a make-whole fundamental change, we may be required to increase the conversion rate for holders who convert their 2036 Convertible Senior Notes in connection with such takeover. In either case, and in other cases, our obligations under the 2036 Convertible Senior Notes and the indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management.

**We are a holding company and there are limitations on our ability to receive dividends and distributions from our subsidiaries.**

All of our principal assets, including our biomass-based diesel production facilities, are owned by subsidiaries and some of these subsidiaries are subject to loan covenants that generally restrict them from paying dividends, making distributions or making loans to us or to any other subsidiary. These limitations will restrict our ability to repay indebtedness, finance capital projects or pay dividends to stockholders from our subsidiaries' cash flows from operations.

**Our debt agreements impose significant operating and financial restrictions on our subsidiaries, which may prevent us from capitalizing on business opportunities.**

Certain of our revolving and term credit agreements, including our M&L and Services Revolver, impose significant operating and financial restrictions on certain of our subsidiaries. These restrictions limit certain of our subsidiaries' ability, among other things, to:

- incur additional indebtedness or issue certain disqualified stock and preferred stock;
- place restrictions on the ability of certain of our subsidiaries to pay dividends or make other payments to us;
- engage in transactions with affiliates;
- sell certain assets or merge with or into other companies;
- guarantee indebtedness; and
- create liens.

When (and for as long as) the availability under the M&L and Services Revolver is less than a specified amount for a certain period of time, funds deposited into deposit accounts used for collections will be transferred on a daily basis into a blocked account with the administrative agent and applied to prepay loans under the M&L and Services Revolver.

As a result of these covenants and restrictions, we may be limited in how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. There is no assurance that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

There are limitations on our ability to incur the full amount of revolving commitments under the M&L and Services Revolver. Currently the maximum aggregate principal amount of revolving commitments we may borrow under the M&L and Services Revolver is \$200.0 million, but will decrease to \$150.0 million after April 30, 2020. In addition, these revolving commitments are further limited by a specified borrowing base consisting of a percentage of eligible accounts receivable and inventory, less customary reserves. In addition, under the M&L and Services Revolver, a monthly fixed charge coverage ratio would become applicable if excess availability under the M&L and Services Revolver is less than 10% of the total \$200 million of current revolving loan commitments, or \$20 million. As of December 31, 2019, availability under the M&L and Services

Revolver was approximately \$101.5 million. However, it is possible that excess availability under the Revolving Credit could fall below the 10% threshold in a future period. If the covenant trigger were to occur, our subsidiaries who are the borrowers under the M&L and Services Revolver would be required to satisfy and maintain on the last day of each month a fixed charge coverage ratio of at least 1.0x for the preceding twelve month period.

As of December 31, 2019, the fixed charge coverage ratio for our M&L and Services Revolver was approximately 0.792, which was below the minimum amount required for compliance with this ratio. However, as noted above, we are not required to comply with the minimum fixed charge covenant of 1.0 unless availability under the M&L and Services Revolver drops below the agreed threshold. Our ability to meet the required fixed charge coverage ratio can be affected by events beyond our control, and we cannot assure you that we will meet this ratio. A breach of any of these covenants would result in a default under the M&L and Services Revolver.

### ***RISKS RELATED TO OUR COMMON STOCK***

#### **The market price for our common stock may be volatile.**

The market price for our common stock is likely to be highly volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our financial condition and operating results;
- changes in the performance or market valuations of other companies engaged in our industry;
- issuance of new or updated research reports by securities or industry analysts;
- changes in financial estimates by us or of securities or industry analysts;
- investors' general perception of us and the industry in which we operate;
- changes in the political climate in the industry in which we operate, existing laws, regulations and policies applicable to our business and products, including RFS2, and the continuation or adoption or failure to continue or adopt renewable energy requirements and incentives, including the BTC;
- other regulatory developments in our industry affecting us, our customers or our competitors;
- announcements of technological innovations by us or our competitors;
- announcement or expectation of additional financing efforts, including sales or expected sales of additional common stock;
- additions or departures of key management or other personnel;
- litigation;
- inadequate trading volume;
- general market conditions in our industry;
- whether our shares are included in stock market indexes such as the S&P SmallCap 600 index; and
- general economic and market conditions, including continued dislocations and downward pressure in the capital markets.

In addition, stock markets experience significant price and volume fluctuations from time to time that are not related to the operating performance of particular companies. These market fluctuations may have material adverse effect on the market price of our common stock.

#### **We may issue additional common stock as consideration for future investments or acquisitions.**

We have issued in the past, and may issue in the future, our securities in connection with investments and acquisitions. Our stockholders could suffer significant dilution, from our issuances of equity or convertible debt securities. Any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. The amount of our common stock or securities convertible into or exchangeable for our common stock issued in connection with an investment or acquisition could constitute a material portion of our then outstanding common stock.

#### **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, 2019 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 generally accepted accounting principles, 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.

**Delaware law and our amended and restated certificate of incorporation and bylaws contain anti-takeover provisions that could delay or discourage takeover attempts that stockholders may consider favorable.**

Provisions in our amended and restated certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

- the right of the board of directors to elect a director to fill a vacancy created by the expansion of the board of directors;
- the requirement for advance notice for nominations for election to the board of directors or for proposing matters that can be acted upon at a stockholders' meeting;
- the ability of the board of directors to alter our bylaws without obtaining stockholder approval;
- the ability of the board of directors to issue, without stockholder approval, up to 10,000,000 shares of preferred stock with rights set by the board of directors, which rights could be senior to those of common stock;
- a classified board;
- the required approval of holders of at least two-thirds of the shares entitled to vote at an election of directors to adopt, amend or repeal our bylaws or amend or repeal the provisions of our amended and restated certificate of incorporation regarding the classified board, the election and removal of directors and the ability of stockholders to take action by written consent; and
- the elimination of the right of stockholders to call a special meeting of stockholders and to take action by written consent.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law ("DGCL"). These provisions may prohibit or restrict large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us. These provisions in our amended and restated certificate of incorporation and bylaws and under Delaware law could discourage potential takeover attempts and could reduce the price that investors might be willing to pay for shares of our common stock in the future and result in our market price being lower than it would without these provisions.

**ITEM 1B. Unresolved Staff Comments**

None.

**ITEM 2. Properties**

We own our corporate headquarters located at 416 South Bell Avenue, Ames, Iowa 50010, comprised of 60,480 square feet of office and laboratory space; as well as two other buildings located at 300 South Bell Avenue, Ames, Iowa 50010 and at 215 Alexander Avenue, Ames, Iowa 50010, which have a combined 26,837 square feet of office space.

The following tables list each of our owned North American and European production facilities and their location, use, and nameplate production capacity. Each facility listed below is used by our Biomass-based diesel Segment, except for the Okeechobee, Florida facility. In August 2019, we closed our New Boston, Texas biorefinery, which had a 15 mmgy nameplate capacity.

## PRODUCTION FACILITIES - NORTH AMERICA

Location	Use	Nameplate Production Capacity (mmgy)
Ralston, Iowa	Biodiesel production	30
Seabrook, Texas	Biodiesel production	35
Danville, Illinois	Biodiesel production	45
Newton, Iowa	Biodiesel production	30
Seneca, Illinois	Biodiesel production	60
Albert Lea, Minnesota	Biodiesel production	30
Mason City, Iowa	Biodiesel production	30
Geismar, Louisiana*	Renewable diesel production	75
Grays Harbor, Washington	Biodiesel production	100
DeForest, Wisconsin	Biodiesel production	20
Okeechobee, Florida	Fermentation facility	N/A

\* This facility produces renewable diesel, naphtha, and liquid petroleum gas.

## PRODUCTION FACILITIES - EUROPE

Location	Use	Nameplate Production Capacity (mmgy)
Emden, Germany	Biodiesel production	27
Oeding, Germany	Biodiesel production	23

### ITEM 3. Legal Proceedings

Neither the Company nor any subsidiary of the Company is a party to any material pending legal or governmental proceeding, nor is any of the Company's property the subject of any material pending legal proceeding, except ordinary routine legal or governmental proceedings arising in the ordinary course of the Company's business and incidental to the Company's business, none of which is expected to have a material adverse impact upon the Company's business, financial position or results of operations.

### ITEM 4. Mine Safety Disclosures

None.

## PART II

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

#### Market For Our Common Equity

Our common stock trades on the Nasdaq Global Select market under the ticker symbol "REGI".

#### Holders

As of February 29, 2020, there were approximately 1,639 holders of record of our common stock.

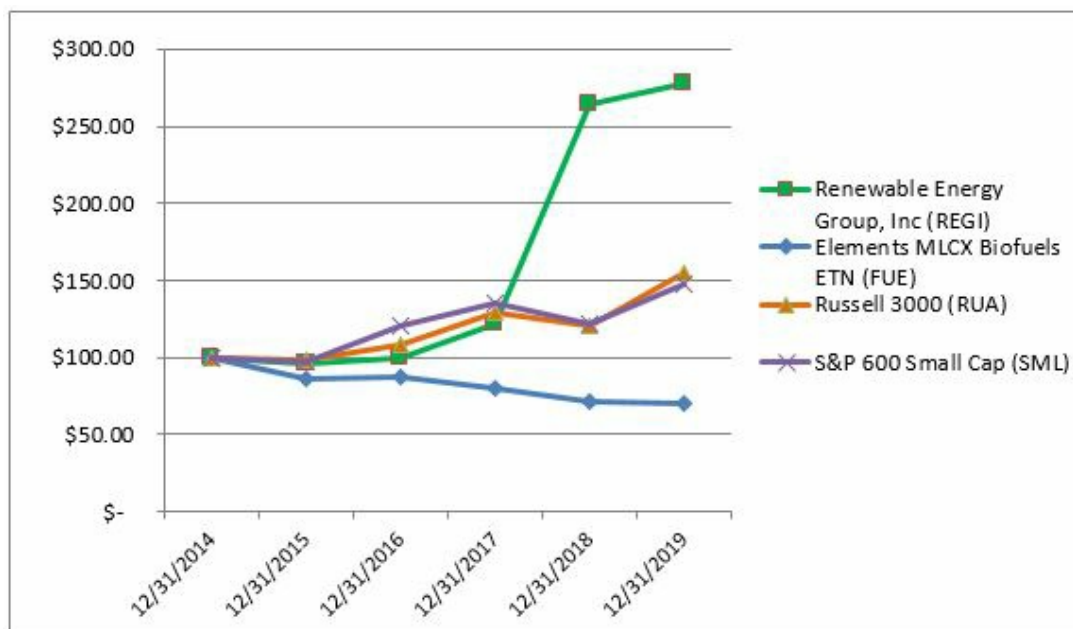
#### Dividends

Our board of directors currently intends to retain any future earnings to support operations and to finance the growth and development of our business, and therefore does not intend to pay cash dividends on our common stock for the foreseeable future

## Performance Graph

The following performance graph is not "soliciting material," is not deemed filed with the SEC, and is not to be incorporated by reference into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, respectively.

On May 15, 2018, we were added to the S&P SmallCap 600 index by Nasdaq. The following graph shows a comparison of the cumulative total returns for the last 5 years to December 31, 2019 for us, the Elements MLCX Biofuels ETN Index, the Russell 3000 Index and the S&P SmallCap 600. The graph assumes that \$100 was invested on December 31, 2014 in our common stock, the Elements MLCX Biofuels ETN Index, the Russell 3000 Index and the S&P SmallCap 600 assuming all dividends were reinvested.



	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
REGI	\$ 100.00	\$ 95.67	\$ 99.90	\$ 121.52	\$ 264.68	\$ 277.55
Elements MLCX Biofuels ETN	100.00	85.52	87.23	79.82	71.38	70.13
Russell 3000	100.00	98.53	108.79	129.30	120.26	154.58
S&P SmallCap 600	100.00	96.64	120.56	134.70	121.56	146.92

## Sales of Unregistered Securities

None.

## Issuer Purchases of Equity Securities

In December 2017, the Company's board of directors approved a repurchase program (the "2017 Program") of up to \$75.0 million of the Company's 2.75% Convertible Senior Notes due 2019 and 2036 and/or shares of common stock. In June 2018 and January 2019, the Company's board of directors approved repurchase programs of up to \$75.0 million each of the Company's convertible notes and/or shares of common stock (the "2018 Program" and "2019 Program"). Under these programs, the Company may repurchase convertible notes or shares from time to time in open market transactions, privately negotiated transactions or by other means. The timing and amount of repurchase transactions under each program are determined by the Company's management based on its evaluation of market conditions, share price, bond price, legal requirements and other factors.

The Company made no share repurchases under the 2018 or 2019 Programs during the quarter ended December 31, 2019.

During the quarter ended December 31, 2019, the Company used the remaining \$7.4 million under the 2018 Program to repurchase \$3.9 million principal amount and approximately \$7.2 million under the 2019 Program to repurchase \$2.8 million principal amount of its 2036 Convertible Senior Notes. At December 31, 2019, the remaining amount under the 2019 Program was approximately \$67.8 million.

**ITEM 6. Selected Financial Data**

The following selected consolidated financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this annual report.

The selected consolidated balance sheet data as of December 31, 2019 and 2018, and the selected consolidated statements of operations data for each year ended December 31, 2019, 2018 and 2017, have been derived from our audited consolidated financial statements which are included elsewhere in this annual report. The selected consolidated balance sheet data as of December 31, 2017, 2016 and 2015, and the selected consolidated statements of operations data for the years ended December 31, 2016 and 2015 have been derived from our audited consolidated financial statements not included in this annual report.

	Year Ended December 31,				
	2019 <sup>(1)</sup>	2018 <sup>(2)</sup>	2017 <sup>(3)</sup>	2016 <sup>(4)</sup>	2015 <sup>(5)</sup>
(In thousands, except per share amounts)					
<b>Consolidated Statements of Operations Data:</b>					
Total revenues from continuing operations	\$ 2,641,393	\$ 2,382,987	\$ 2,154,655	\$ 2,039,232	\$ 1,387,344
Net income (loss) from continuing operations attributable to the company's common stockholders	381,112	295,804	(66,279)	62,204	(105,088)
Net loss from discontinued operations attributable to the company's common stockholders	(9,667)	(11,312)	(12,800)	(19,128)	(46,303)
Net income (loss) per share from continuing operations attributable to common stockholders					
Basic	\$ 9.95	\$ 7.85	\$ (1.71)	\$ 1.52	\$ (2.39)
Diluted	\$ 9.01	\$ 6.78	\$ (1.71)	\$ 1.52	\$ (2.39)
Net loss per share from discontinued operations attributable to common stockholders					
Basic	\$ (0.25)	\$ (0.30)	\$ (0.33)	\$ (0.47)	\$ (1.05)
Diluted	\$ (0.25)	\$ (0.30)	\$ (0.33)	\$ (0.47)	\$ (1.05)
<b>Consolidated Balance Sheet Data:</b>					
Total assets	\$ 1,785,349	\$ 1,107,096	\$ 1,005,596	\$ 1,136,603	\$ 1,223,620
Long-term debt	\$ 26,130	\$ 33,421	\$ 208,536	\$ 196,203	\$ 247,251

- (1) In the first quarter of 2019, we adopted Accounting Standards Update ("ASU") 2016-02, Topic 842, Leases. The implementation of the new standard introduces a lessee model that brings most leases on the balance sheet. There was also a negative impact to beginning retained earnings of \$6,516 related to the impairment of a leased asset. The 2019 Convertible Senior Notes matured on June 15, 2019. We paid \$67,380 in cash to settle the outstanding principal amount of the debt and issued 1,902,781 treasury shares to settle the conversion value that was in excess of the principal. The long-term debt at December 31, 2019 does not include the 2036 Convertible Senior Notes of \$69,668 that were reclassified to current as the early conversion event was met based on our stock price. In May 2019, we entered into an agreement to sell REG Life Sciences core assets and business. In August 2019, we closed the New Boston, Texas biorefinery. There was an impairment charge associated with the closing of the New Boston refinery of \$11,145. In December 2019, the BTC was retroactively reinstated for 2019 and 2018, and will be in effect until December 31, 2022. The net benefit of the retroactive reinstatement of the 2019 and 2018 BTC was \$260,850 and \$238,564 for the business conducted in 2019 and 2018, respectively, and was recognized in the results of operations in the fourth quarter of 2019.

- (2) The long-term debt at December 31, 2018 did not include the 2019 Convertible Senior Notes of \$66,361 that became due in June 2019 and the 2036 Convertible Senior Notes of \$75,477 that was reclassified to current as the early conversion event was met based on our stock price. In the fourth quarter of 2018, our Board of Directors authorized us to pursue a plan to sell the REG Life Sciences' core assets and business, which represents a strategic shift in our business. As a result, REG Life Sciences business, valued at selling price less estimated costs to sell, are classified as discontinued operations since 2018.
- (3) Includes the impact of the impairment of our New Orleans facility and the "H.R. 1", formerly known as the "Tax Cuts and Jobs Act" signed into law on December 22, 2017 as further described in Note 2 and Note 12, respectively, of Item 8 - Financial Statements and Supplementary Data.
- (4) Includes issuance of the convertible senior notes on June 2, 2016 as further described in Note 11 and Note 2, respectively, of Item 8 - Financial Statements and Supplementary Data. Also includes impact of the impairment of our Emporia facility.
- (5) Includes the impact of a full write-off of goodwill in the Biomass-based Diesel and Renewable Chemicals reporting units.

#### **ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto that appear elsewhere in this report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this report.*

##### **Overview**

We focus on providing cleaner, lower carbon transportation fuels. We are North America's largest producer of advanced biofuels. We utilize a nationwide production, distribution and logistics system as part of an integrated value chain model designed to convert natural fats, oils and greases into advanced biofuels. During 2019, we sold 700 million total gallons of fuel (including fuel purchased from third parties for resale) and generated revenues of \$2.6 billion. We believe our fully integrated approach, which includes acquiring feedstock, managing biorefinery facility construction and upgrades, operating biorefineries, and distributing fuel through a network of terminals, positions us to serve the market for cleaner transportation fuels. In September 2018, we acquired Keck Energy and in July 2019, we opened our first REG branded fueling station, adjacent to REG Seneca, a 60 mmgy biorefinery in Seneca, Illinois to serve a variety of customers from trucking fleets, local diesel vehicle owners and other customers as the initial part of our downstream strategy.

We own and operate a network of 13 biorefineries. Eleven biorefineries are located in the United States and two in Germany. Eleven biorefineries produce biodiesel, one produces renewable diesel ("RD"), and one is a fermentation facility. Our twelve biomass-based diesel production facilities have an aggregate nameplate production capacity of 505 million gallons per year ("mmgy"). In August 2019, we closed our New Boston, Texas biorefinery, which had a nameplate capacity of 15 mmgy.

We are a lower-cost, lower carbon biomass-based diesel producer. We primarily produce our biomass-based diesel from a wide variety of lower-cost, lower carbon feedstocks, including distillers corn oil, used cooking oil and inedible animal fat. We also produce biomass-based diesel from virgin vegetable oils, such as soybean oil or canola oil, which tend to be higher in price. We believe our ability to process a wide variety of feedstocks at most of our facilities provides us with a cost advantage over many biomass-based diesel producers, particularly those that rely primarily on higher cost virgin vegetable oils.

We also sell petroleum-based heating oil and diesel fuel, which enables us to offer a variety of fuel products to a broader customer base. We sell heating oil and ultra-low sulfur diesel, or ULSD, at terminals throughout the northeastern U.S., as well as BioHeat® blended heating fuel at one of these terminal locations. In 2018, we expanded our sales of biofuel blends to Midwest and West Coast terminal locations and look to potentially expand in other areas across North America and internationally.

In October 2018, we began collaborating with Phillips 66 on the possible construction of a large-scale renewable diesel plant in Washington state. In January 2020, we announced the cessation of the joint project with Phillips 66 to construct a renewable diesel plant due to the anticipated delay in timing and costs associated with the permitting process.

In May 2019, we sold the core assets of REG Life Sciences that comprised our Renewable Chemicals segment. As a result, the former Renewable Chemicals segment and the operations of the Renewable Chemicals segment have been classified as discontinued operations for all periods covered by this report.

Our businesses are organized into two reportable segments - the Biomass-based Diesel segment and the Services segment.

*Biomass-based Diesel Segment*

Our Biomass-based Diesel segment includes:

- the operations of the following biomass-based diesel production refineries as included in Item 2 of Part I of this document, except for the fermentation facility in Okeechobee, Florida;
- purchases and resales of biomass-based diesel, petroleum-based diesel, RINs and LCFS credits, and raw material feedstocks acquired from third parties;
- sales of biomass-based diesel produced under toll manufacturing arrangements with third party facilities using our feedstocks; and
- incentives received from federal and state programs for renewable fuels.

We derive a small portion of our revenues from the sale of co-products of the biomass-based diesel production process. In 2019 and 2018, our revenues from the sale of co-products were less than five percent of our total Biomass-based diesel segment revenues. During 2019 and 2018, revenues from the sale of petroleum-based heating oil and diesel fuel acquired from third parties, along with the sale of these items further blended with biodiesel produced by our facilities or purchased from third parties, were both approximately 10% of our total revenues.

In accordance with EPA regulations, we generate 1.5 to 1.7 RINS, for each gallon of biomass-based diesel we produce. RINs are used to track compliance with the RFS2, using the EPA moderated transaction system, or EMTS. RFS2 allows us to attach between zero and 2.5 RINs to any gallon of biomass-based diesel we sell. When we attach RINs to a sale of biomass-based diesel gallons, a portion of our selling price for a gallon of biomass-based diesel is generally attributable to RFS2 compliance, but no cost is allocated to the RINs generated by our biomass-based diesel production because RINs are a form of government incentive and not a result of the physical attributes of the biomass-based diesel production. In addition, RINs, once obtained through the production and sale of gallons of biomass-based diesel, may be separated by the acquirer and sold separately. We regularly obtain RINs from third parties for resale, and the value of these RINs is reflected in “Prepaid expenses and other assets” on our Consolidated Balance Sheet. At each balance sheet date, this RIN inventory is valued at the lower of cost or net realizable value and resulting adjustments are reflected in our cost of goods sold for the period. The cost of RINs obtained from third parties is determined using the average cost method. Because we do not allocate costs to RINs generated by our biomass-based diesel production, fluctuations in the value of our RIN inventory represent fluctuations in the value of RINs we have obtained from third parties. RINs significantly decreased in value during the first quarter of 2019 and have remained relatively low through the rest of the year, which we believe has been influenced by record level of Small Refiner Exemptions from RIN compliance requirements for 2016, 2017, and 2018.

The table below summarizes our RINs balances available to be sold and the median closing price per RIN at December 31, 2019 and 2018 according to OPIS:

	Quantity		OPIS Median Closing Price per RIN	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Biomass-based diesel RINs	7,196,022	12,561,167	\$ 0.40	\$ 0.55
Advanced biofuels RINs	2,008,689	3,907,803	\$ 0.40	\$ 0.51

We generate Low Carbon Fuel Standard credits for our low carbon fuels when our qualified low carbon fuels are imported into states that have adopted an LCFS program and sold for qualifying purposes. As a result, a portion of the selling price for a gallon of biomass-based diesel sold into an LCFS market is also attributable to LCFS compliance. Like RINs, LCFS credits that we generate are a form of government incentive and not a result of the physical attributes of the biomass-based diesel production. Therefore, no cost is allocated to the LCFS credit when it is generated, regardless of whether the LCFS credit is transferred with the biomass-based diesel produced or held by us. LCFS prices increased throughout 2019 and was near all time high prices at year end, which we believe was largely attributable to growing demand for LCFS credits.

The below table summarizes approximate amounts of our LCFS credits available to be sold and the median closing price per LCFS credit at December 31, 2019 and 2018 according to OPIS:



	Quantity		OPIS Median Closing Price per LCFS Credit	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
California LCFS	2,366	29,800	\$ 205.50	\$ 195.00
Oregon LCFS	4,073	25,900	\$ 152.50	\$ 137.50

#### Services Segment

Our Services segment, which primarily provides services to our Biomass-based Diesel Segment, includes:

- biomass-based diesel facility management and operational services, whereby we provide day-to-day management and operational services to biomass-based diesel production facilities; and
- construction management services, whereby we act as the construction management and general contractor for the upgrade or construction of biomass-based diesel production facilities.

During recent years, we have utilized our construction management expertise internally to upgrade our facilities including our facilities located in Seneca, Ralston, Albert Lea, Mason City and Newton. In March 2018, we completed the expansion project at our Ralston facility. In June 2017, we completed the acquisition of approximately 82 acres of land near our Geismar, Louisiana biorefinery. The purchase included the acquisition of land we previously leased for our Geismar operations and approximately 61 additional acres in parcels adjacent to and near the facility. We plan to improve and utilize the new acreage to support existing production capacity and for future expansion opportunities.

#### Factors Influencing Our Results of Operations

The principal factors affecting our results of operations and financial conditions are the market prices for biomass-based diesel and the feedstocks used to produce biomass-based diesel, as well as governmental programs designed to create incentives for the production and use of cleaner renewable fuels.

#### Governmental programs favoring biomass-based diesel production and use

Biomass-based diesel has historically been more expensive to produce than petroleum-based diesel. The biomass-based diesel industry's growth has largely been the result of federal and state programs that require or incentivize the production and use of biomass-based diesel, which allows biomass-based diesel to be price-competitive with petroleum-based diesel.

RFS2 was implemented in 2010, stipulating volume requirements for the amount of biomass-based diesel and other advanced biofuels that must be utilized in the United States each year. Under RFS2, Obligated Parties, including petroleum refiners and fuel importers, must show compliance with these standards. Currently, biodiesel and renewable diesel satisfy three categories of an Obligated Party's annual renewable fuel required volume obligation, or RVO—biomass-based diesel, advanced biofuel and renewable fuel. The final RVO targets for the biomass-based diesel and advanced biofuels volumes for the years 2016 to 2021 as set by the EPA are as follows:

	2016	2017	2018	2019	2020	2021
Biomass-based Diesel	1.90 billion gallons	2.00 billion gallons	2.10 billion gallons	2.10 billion gallons	2.43 billion gallons	2.43 billion gallons
Total Advanced Biofuels	3.61 billion RINs*	4.28 billion RINs*	4.29 billion RINs*	4.92 billion RINs*	5.04 billion RINs*	N/A

\*Ethanol equivalent gallons

The federal biodiesel mixture excise tax credit, or the BTC, has historically provided a \$1.00 refundable tax credit per gallon to the first blender of biomass-based diesel with petroleum-based diesel fuel. The BTC became effective January 1, 2005, but since January 1, 2010 it has been allowed to lapse and then been reinstated a number of times. The BTC was retroactively reinstated on February 9, 2018 for the fiscal year 2017 and on December 20, 2019 for the fiscal years 2018 and 2019. The BTC was also extended through December 31, 2022.

As a result of this history of retroactive reinstatement of the BTC, we and many other biomass-based diesel industry producers have adopted contractual arrangements with customers and vendors specifying the allocation and sharing of any retroactively reinstated incentive. The reinstatement of the 2017 BTC resulted in a \$207 million net benefit to our net income for the year ended December 31, 2018 and Adjusted EBITDA for the year ended December 31, 2017, with another \$11 million related to products delivered and sales recognized in the first quarter of 2018. The reinstatement of the 2018 and 2019 BTC resulted in an \$499 million net benefit to our net income for the year ended December 31, 2019. The BTC net benefit was

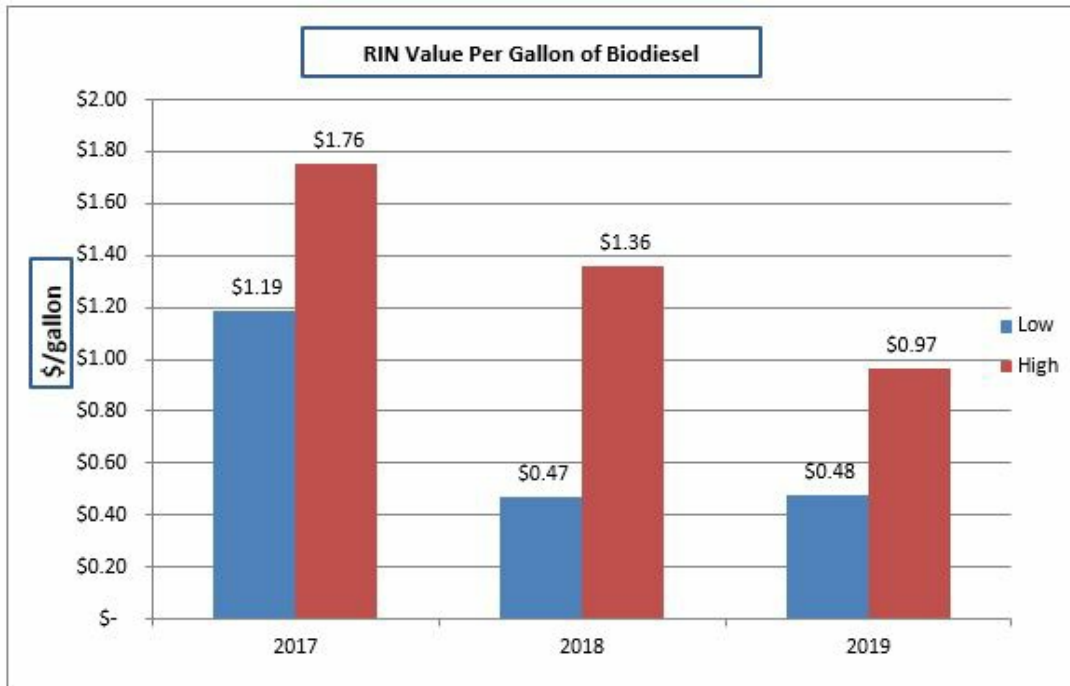
allocated to the corresponding quarterly Adjusted EBITDA when the business giving rise to the retroactive credit was conducted. For the years ended December 31, 2019 and 2018, the reinstatement of the 2018 and 2019 BTC resulted in a net benefit to our Adjusted EBITDA of \$261 million and \$238 million, respectively.

*Biomass-based diesel and feedstock price fluctuations*

Our operating results generally reflect the relationship between the price of biomass-based diesel, including credits and incentives and the price of feedstocks used to produce biomass-based diesel.

Biomass-based diesel is a cleaner low carbon, renewable alternative to petroleum-based diesel fuel and is primarily sold to the end user after it has been blended with petroleum-based diesel fuel. Biomass-based diesel prices have historically been heavily influenced by petroleum-based diesel fuel prices. Accordingly, biomass-based diesel prices have generally been impacted by the same factors that affect petroleum prices, such as crude oil supply and demand balance, worldwide economic conditions, wars and other political events, OPEC production quotas, changes in refining capacity and natural disasters.

Regulatory and legislative factors also influence the price of biomass-based diesel. Biomass-based diesel RIN pricing, a value component that was introduced via RFS2 in July 2010, has had a significant impact on our biomass-based diesel pricing. The following table shows for 2017, 2018 and 2019 the high and low average monthly contributory value of RINs, as reported by OPIS, to the average B100 spot price of a gallon of biodiesel, as reported by The Jacobsen in terms of dollars per gallon.



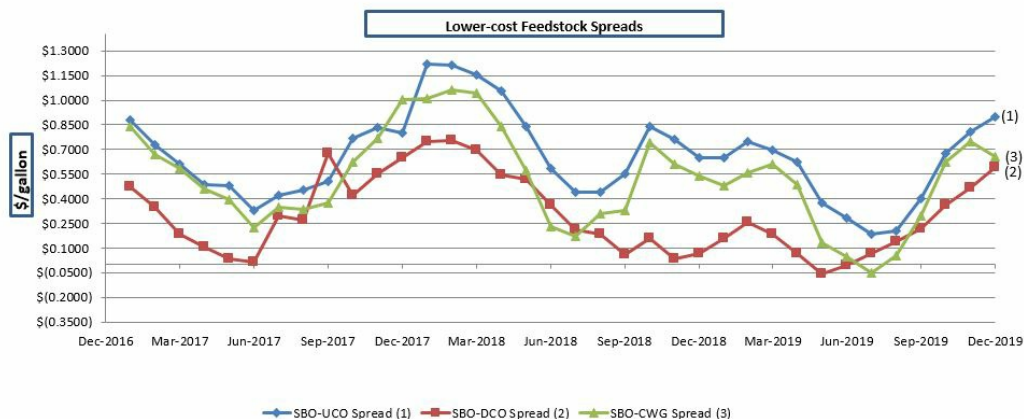
At the beginning of 2019, the value of RINs, as reported by OPIS, to the average B100 spot price of a gallon of biodiesel was \$0.86 per gallon. The value of RINs to the average B100 spot price of a gallon of biodiesel dropped to \$0.60 per gallon at the end of December 2019. It reached a high of \$0.97 per gallon of biodiesel in November 2019 and a low of \$0.48 per gallon in May 2019. We believe that the decrease in RIN value during 2019 and 2018 was heavily influenced by record levels of Small Refiner Exemptions ("SRE") from RIN compliance requirements for 2016, 2017, 2018 and the approach the EPA states it plans to use to grant the yearly SRE exemptions going forward. We enter into forward contracts to sell RINs and we use risk management position limits to manage RIN exposure.

During 2019, feedstock expense accounted for 79% of our direct production cost, while methanol and chemical catalysts expense accounted for 4% and 3% of our costs of goods sold, respectively.

Feedstocks for biomass-based diesel production, such as distillers corn oil, used cooking oil, inedible animal fat, canola oil and soybean oil are commodities and market prices for them will be affected by a wide range of factors unrelated to the price of biomass-based diesel and petroleum-based diesel. There are a number of factors that influence the supply and price of our feedstocks, such as the following: biomass-based diesel demand; export demand; government policies and subsidies; weather conditions; ethanol production; cooking habits and eating habits; number of restaurants near collection facilities; hog/beef/poultry supply and demand; palm oil supply; soybean meal demand and/or production, and crop production both in the U.S. and South America.

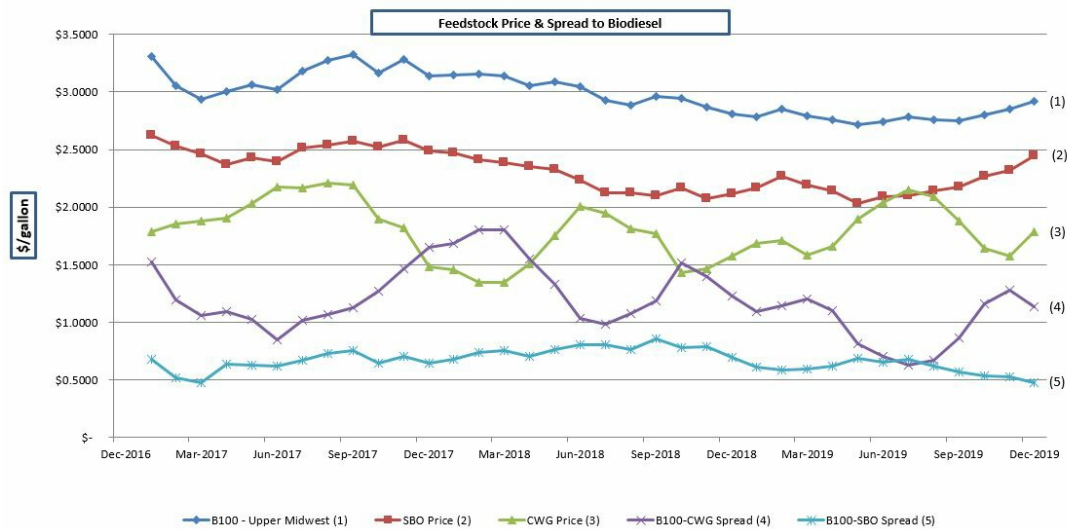
During 2019 and 2018, 71% and 77% of the feedstocks used in our operations, respectively, were comprised of distillers corn oil, used cooking oil and inedible animal fats with the remainder coming from virgin vegetable oils.

The graph below illustrates the spread between the cost of producing one gallon of biodiesel made from soybean oil to the cost of producing one gallon of biodiesel made from the specified lower-cost feedstock for the period January 2017 to December 2019. The results were derived using assumed conversion factors for the yield of each feedstock and subtracting the cost of producing one gallon of biodiesel made from each respective lower-cost feedstock from the cost of producing one gallon of biodiesel made from soybean oil.



- (1) Used cooking oil prices ("UCO") are based on the monthly average of the daily low sales price of Missouri River yellow grease as reported by The Jacobsen (based on 8.5 pounds per gallon).
- (2) Distillers corn oil ("DCO") prices are reported as the monthly average of the daily distillers' corn oil market values delivered to Illinois as reported by The Jacobsen (based on 8.2 pounds per gallon).
- (3) Choice white grease ("CWG") prices are based on the monthly average of the daily low prices of Missouri River choice white grease as reported by The Jacobsen (based on 8.0 pounds per gallon).
- (4) Soybean oil (crude) ("SBO") prices are based on the monthly average of the daily closing sale price of the nearby soybean oil contract as reported by CBOT (based on 7.5 pounds per gallons).

Our results of operations generally will benefit when the spread between biomass-based diesel prices and feedstock prices widens and will be harmed when this spread narrows. The following graph shows feedstock cost data for choice white grease and soybean oil on a per gallon basis compared to the per gallon sale price data for biodiesel, and the spread between biodiesel and each of soybean oil and choice white grease from January 2017 to December 2019.



- (1) Biodiesel prices are based on the monthly average of the midpoint of the high and low prices of B100 (Upper Midwest) as reported by The Jacobsen.
- (2) Soybean oil (crude) prices are based on the monthly average of the daily closing sale price of the nearby soybean oil contract as reported by CBOT (based on 7.5 pounds per gallon).
- (3) Choice white grease prices are based on the monthly average of the daily low price of Missouri River choice white grease as reported by The Jacobsen (based on 8.0 pounds per gallon).
- (4) Spread between biodiesel price and choice white grease price.
- (5) Spread between biodiesel price and soybean oil (crude) price.

During 2019, NY Harbor ULSD prices ranged from a low of \$1.70 per gallon in early January to a high of \$2.12 per gallon in May with an average price for the year of \$1.94 per gallon. Energy prices increased sharply in January and increased slightly until early in the second quarter when trade talks between the U.S. and China broke down. Prices rallied in June due to elevated tensions in the Middle East. Early in the third quarter, prices declined due to further breakdowns in trade talks between the U.S. and China, as well as expected global economic slowdowns and energy demand in 2020. Energy prices finished the year on the upper end of the 2019 trading range on positive U.S. and China trade developments combined with continued tension in the Middle East. U.S. biodiesel prices based on Jacobsen Upper Midwest B100 prices traded in a range reaching a high of \$3.00 in December and a low of \$2.70 in May.

Animal fat and soybean oil production have both increased in 2019, which contributed to lower feedstock prices during the year. CBOT soybean oil prices ranged from a high of \$0.35 per pound in December to a low of \$0.26 per pound in May with an average price for the year of \$0.29 per pound. Soybeans saw weakness early in the year over concerns that farmers would switch planted acres from corn to beans due to unfavorable weather conditions. Further weather delays and the publishing of the USDA's resurveyed acreage report raised concerns that planted soybean acres would be reduced. Soybean oil prices started to gain early in the third quarter as soybean stocks were lower year-over-year in anticipation of biofuels renewable volume obligation reform. Soybean oil reached multi year highs by the end of 2019, supported by palm oil experiencing a sharp increase in pricing along with the reinstatement of the Biodiesel Tax Credit. Choice white grease prices ranged from a low of \$0.19 in November to a high of \$0.28 per pound in August with an average price for the year of \$0.23 per pound. Relatively strong demand for pork and beef has continued to lead to expansions in those industries. Both hog and cattle production numbers in 2019 were higher than the prior year resulting in lower prices for animal fats.

## Risk Management

The profitability of producing biomass-based diesel largely depends on the spread between prices for feedstocks and biomass-based diesel, including incentives, each of which is subject to fluctuations due to market factors and each of which is not significantly correlated. Adverse price movements for these commodities directly affect our operating results. We attempt to protect cash margins for our own production and our third-party trading activity by entering into risk management contracts that mitigate the impact on our margins from price volatility in feedstocks and biomass-based diesel. We create offsetting positions by using a combination of forward fixed-price physical purchases and sales contracts on feedstock and biomass-based diesel and risk management futures contracts, swaps and options primarily on the New York Mercantile Exchange NY Harbor ULSD and CBOT Soybean Oil; however, the extent to which we engage in risk management activities varies substantially from time to time, and from feedstock to feedstock, depending on market conditions and other factors. In making risk management decisions, we utilize research conducted by outside firms to provide additional market information in addition to our internal research and analysis.

Distillers corn oil, used cooking oil, inedible animal fat, canola oil and soybean oil are the primary feedstocks we used to produce biomass-based diesel in 2017, 2018 and 2019. We utilize several varieties of inedible animal fat, such as beef tallow, choice white grease and poultry fat derived from livestock. There is no established futures market for these lower-cost feedstocks. The purchase prices for lower-cost feedstocks are generally set on a negotiated flat price basis or spread to a prevailing market price reported by the USDA price sheet or The Jacobsen. Our efforts to risk manage against changing prices for distillers corn oil, used cooking oil and inedible animal fat have involved entering into futures contracts, swaps or options on other commodity products, such as CBOT soybean oil and New York Mercantile Exchange NY Harbor ULSD. However, these products do not always experience the same price movements as lower-cost feedstocks, making risk management for these feedstocks challenging. We manage feedstock supply risks related to biomass-based diesel production in a number of ways, including, where available, through long-term supply contracts. The purchase price for soybean oil under these contracts may be indexed to prevailing CBOT soybean oil market prices with a negotiated market basis. We utilize futures contracts, swaps and options to risk manage, or lock in, the cost of portions of our future feedstock requirements generally for varying periods up to one year.

Our ability to mitigate our risk of falling biomass-based diesel prices is limited. We have entered into forward contracts to supply biomass-based diesel. However, pricing under these forward sales contracts generally has been indexed to prevailing market prices, as fixed price contracts for long periods on acceptable terms have generally not been available. There is no established derivative market for biomass-based diesel in the United States. Our efforts to hedge against falling biomass-based diesel prices generally involve entering into futures contracts, swaps and options on other commodity products, such as diesel fuel and New York Mercantile Exchange NY Harbor ULSD. However, price movements on these products are not highly correlated to price movements of biomass-based diesel.

We generate 1.5 to 1.7 biomass-based diesel RINs for each gallon of biomass-based diesel we produce and sell. We also obtain RINs from third party transactions which we hold for resale. There is no effective established futures market for biomass-based diesel RINs, which severely limits the ability to risk manage the price of RINs. We enter into forward contracts to sell RINs, and we use risk management position limits to manage RIN exposure, however, pricing under those forward contracts generally has been indexed to prevailing market prices as fixed price contracts for long periods have generally not been available.

As a result of our strategy, we frequently have gains or losses on derivative financial instruments that are conversely offset by losses or gains on forward fixed-price physical contracts on feedstocks and biomass-based diesel or inventories. Gains and losses on derivative financial instruments are recognized each period in operating results while corresponding gains and losses on physical contracts are generally not recognized until quantities are delivered or title transfers which may be in the same or later periods. Our results of operations are impacted when there is a period mismatch of recognized gains or losses associated with the change in fair value of derivative instruments used for risk management purposes at the end of the reporting period but the purchase or sale of feedstocks or biomass-based diesel has not yet occurred and thus the offsetting gain or loss will be recognized in a later accounting period.

We had risk management losses of \$28.9 million from our derivative financial instrument trading activity for the year ended December 31, 2019, compared to risk management gains of \$18.4 million for the year ended December 31, 2018. Changes in the value of these futures or swap instruments are reflected in current income or loss, generally within our cost of goods sold. In 2019 and 2018, risk management gains and losses resulted mostly from the significant volatility in the energy market and accounted for a loss of \$0.04 and a gain of \$0.03 per gallon sold, respectively. In general, risk management gains and losses resulting from fluctuations in feedstock and energy prices are largely offset by an inverse gain or loss on physical product purchases and sales.

### *Increasing importance of renewable diesel*

Renewable diesel is made from the same renewable resources as biodiesel but uses a different production process. The result is a renewable fuel that is chemically identical, and a drop-in replacement, to petroleum diesel. Renewable diesel is a relatively new fuel but has quickly become popular because it reduces emissions and delivers strong performance. Renewable diesel can also be blended with biodiesel. Our proprietary blend of renewable diesel and biodiesel which we call REG Ultra Clean™ Diesel captures the best properties of the two fuels.

We have filed a patent application for the blending of biodiesel with renewable diesel. It is uncertain whether a patent will issue, but we believe we have discovered novel methods for the blending of biodiesel with renewable diesel which not only improves the quality of the fuel but also the value of the biodiesel component.

Renewable diesel has become an increasingly significant part of our business. Renewable diesel carries a premium price to biodiesel as a result of a variety of factors including the ability to blend it with petroleum diesel seamlessly, better cold weather performance, and because it generates more RINs on a per gallon basis. We estimate that our renewable diesel production facility in Geismar, Louisiana generated a significant portion of our adjusted EBITDA in 2018 and in 2019. We experienced two fires at this facility in 2015 that each resulted in the plant being shut down for a lengthy period. If production at this facility were interrupted again due to a fire or for any other reason, it would have a disproportionately significant and material adverse impact on our results of operations and financial conditions.

### *Seasonality*

Our operating results are influenced by seasonal fluctuations in the demand for biomass-based diesel. Our biodiesel sales tend to decrease during the winter season due to reduced blending concentrations to adjust for performance during colder weather. Colder seasonal temperatures can cause the higher cloud point biodiesel we make from inedible animal fats to become cloudy and eventually gel at a higher temperature than petroleum-based diesel, renewable diesel, or lower cloud point biodiesel made from soybean oil, canola oil or distillers corn oil. Such gelling can lead to plugged fuel filters and other fuel handling and performance problems for customers and suppliers. Reduced demand in the winter for our higher cloud point biodiesel can result in excess supply of such higher cloud point biodiesel and lower prices for such biodiesel. In addition, most of our biodiesel production facilities are located in colder Midwestern states in proximity to feedstock origination, and our costs of shipping can increase as more biodiesel is transported to warmer climate geographies during winter. To mitigate some of these seasonal fluctuations, we have upgraded our Newton and Danville biorefineries to produce distilled biodiesel from low-cost feedstocks, which has improved cold-weather performance.

RIN prices may also be subject to seasonal fluctuations. The RIN is dated for the calendar year in which it is generated, commonly referred to as the RIN vintage. Since 20% of the annual RVO of an Obligated Party can be satisfied by prior year RINs, most RINs must come from biofuel produced or imported during the RVO year. As a result, RIN prices can be expected to decrease as the calendar year progresses if the RIN market is oversupplied compared to that year's RVO and increase if the market is undersupplied. See chart below for comparison between actual RIN generation and RVO level for advanced biofuel as set by the EPA.

<b>Year</b>	<b>RIN Generation (Advanced Biofuel)</b>	<b>Finalized RVO level for Advanced Biofuel</b>	<b>Estimated Advanced Biofuel RVO Exempted due to SREs</b>
2016	4.30 billion RINs	3.61 billion RINs*	0.16 billion RINs
2017	4.23 billion RINs	4.28 billion RINs*	0.40 billion RINs
2018	4.34 billion RINs	4.29 billion RINs*	0.32 billion RINs
2019	4.87 billion RINs	4.92 billion RINs*	**

\* Ethanol equivalent gallons

\*\* Not yet determined

### *Industry capacity, production and imports*

Our operating results are influenced by our industry's capacity and production, including in relation to RFS2 production requirements. Under RFS2, Obligated Parties are entitled to satisfy up to 20% of their annual requirement with prior year RINs. Biomass-based diesel production and/or imports, as reported by EMTS, were 2.50 billion gallons for 2017, 100 million gallons lower than 2016. The amount of biomass-based diesel produced and/or imported into the U.S. in 2018 was 2.50 billion gallons. In 2019, according to EMTS data, 2.65 billion gallons of biomass-based diesel were produced and/or imported into the U.S.

The amount of imported biodiesel gallons qualifying under RFS2 has decreased from 572.6 million gallons in 2017 to approximately 333.4 million gallons in 2018. The amount of imported biodiesel was at 423.7 million gallons in 2019, slightly

higher than 2018 according to the EIA. The decrease from 2017, is due to the anti-dumping and countervailing duty trade case mentioned previously, which eliminated the imports of biodiesel from Argentina and Indonesia in 2018.

## Components of Revenues and Expenses

### Continuing Operations:

We derive revenues in our Biomass-based Diesel segment from the following sources:

- sales of biodiesel and renewable diesel produced at our facilities, including RINs and LCFS credits, transportation, storage and insurance costs to the extent paid for by our customers;
- resale of finished biomass-based diesel, renewable diesel, RINs and LCFS credits acquired from third parties, and raw material feedstocks acquired from others;
- revenues from our sale of petroleum-based heating oil and ultra-low sulfur diesel, or ULSD, acquired from third parties, along with the sale of these petroleum-based products further blended with biomass-based diesel;
- sales of glycerin, other co-products of the biomass-based diesel production process; and
- incentive payments from federal and state governments, including the BTC, and from the USDA Advanced Biofuel Program.

We derive revenues in our Services segment from the following sources - primarily internal:

- fees received from operations management services that we provide for biomass-based diesel production facilities, typically based on production rates and profitability of the managed facility; and
- amounts received for services performed by us in our role as general contractor and construction manager for upgrades and repairs to our biomass-based diesel production facilities.

Cost of goods sold for our Biomass-based Diesel segment includes:

- with respect to our production facilities, expenses incurred for feedstocks, catalysts and other chemicals used in the production process, leases, utilities, depreciation, salaries and other indirect expenses related to the production process, and, when required by our customers, transportation, storage and insurance;
- with respect to fuel and RINs acquired from third parties, the purchase price of biomass-based diesel and RINs on the spot market or under contract, and related expenses for transportation, storage, insurance, labor and other indirect expenses;
- adjustments made to reflect the lower of cost or market values of our finished goods inventory, including RINs acquired from third parties;
- expenses from the purchase of petroleum-based heating oil and ULSD acquired from third parties; and
- changes during the applicable accounting period in the market value of derivative and hedging instruments, such as exchange traded contracts, related to feedstocks and commodity fuel products.

Cost of goods sold for our Services segment includes:

- with respect to our facility management and operations activities, primarily salary expenses for the services of management employees for each facility and others who provide procurement, marketing and various administrative functions; and
- with respect to our construction management services activities, primarily our payments to subcontractors constructing the production facility and providing the biomass-based diesel processing equipment, and, to a much lesser extent, salaries and related expenses for our employees involved in the construction process.

Selling, general and administrative expense consists of expenses generally involving corporate overhead functions and operations at our Ames, Iowa, international operations and regional offices and research and development activities.

Impairment of property, plant and equipment represents non-cash impairment charges of certain property, plant and equipment items.

Other income (expense), net is primarily comprised of the change in fair value of contingent considerations, gain (loss) on debt extinguishment, changes in fair value of convertible debt conversion liability, interest expense including the accretion of convertible debt and amortization of deferred financing costs, interest income and gain on involuntary conversion, which represents the amount of insurance proceeds in excess of the net book value of the property damage recorded by us related to the June 2017 fire at our Madison facility.

**Discontinued Operations:**

Net loss from Discontinued Operations was attributable to the research and development activities at and expenses incurred related to the sale of the REG Life Sciences business, which was closed in May 2019. After the sale of the business, REG Life Sciences continued to incur costs that primarily relate to certain pre-existing contractual agreements and legal and professional fees related to the disposition and wind-down of operations. We do not expect future costs to be material.

**Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, equities, revenues and expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for judgments we make about the carrying values of assets and liabilities that are not readily apparent from other sources. Because these estimates can vary depending on the situation, actual results may differ from the estimates.

We believe the following critical accounting policies affect our more significant judgments used in the preparation of our consolidated financial statements:

*Income Taxes*

Our income tax provision, deferred income tax assets and liabilities, and liabilities for unrecognized tax benefits represent the Company's best estimate of current and future income taxes to be paid. Our annual effective tax rate is based on income tax laws, statutory tax rates, taxable income levels and tax planning opportunities available in various jurisdictions where we operate. These tax laws are complex and require significant judgment to determine the consolidated provision for income taxes. Changes in tax laws, statutory tax rates, and estimates of our future taxable income levels could result in actual realization of deferred taxes being materially different from amounts provided for in the consolidated financial statements.

Deferred income taxes represent temporary differences between the tax and the financial reporting basis of assets and liabilities, which will result in taxable or deductible amounts in the future. Deferred tax assets also include loss carryforwards and tax credits. These assets are regularly assessed for the likelihood of recoverability from estimated future taxable income, reversal of deferred tax liabilities and tax planning strategies. To the extent we determine that it is more likely than not a deferred income tax asset will not be realized, a valuation allowance is established. The recoverability analysis of the deferred income tax assets and the related valuation allowances requires significant judgment and relies on estimates.

On December 22, 2017, President Donald Trump signed into law "H.R. 1", formerly known as the "Tax Cuts and Jobs Act" (the "Tax Legislation"). The Tax Legislation, which was effective on January 1, 2018, significantly revises the U.S. tax code by, among other things, lowering the corporate income tax rate from 35% to 21%, and implementing a hybrid-territorial tax system imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries ("transition tax"). We are required to recognize the effect of the tax law changes in the period of enactment.

The indefinite reinvestment in the earnings of non-US subsidiaries assertion is determined by management's judgment about and intentions concerning future investment in operations. Management's judgment is that we are not indefinitely reinvested in the undistributed earnings of our non-US subsidiaries at December 31, 2019. The assertion regarding undistributed non-US earnings does not have a material impact on our consolidated financial statements.

*Revenue Recognition*

Revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. We have generally a single performance obligation in our arrangements with customers. We believe for most of our contracts with customers, control is transferred at a point in time, typically upon delivery to the customers. When we perform shipping and handling activities after the transfer of control to the customers (e.g., when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued for when the related revenue is recognized. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues. We generally expense sales commissions when incurred. We record these costs within selling, general and administrative expenses.

Revenues associated with governmental incentive programs are recognized when the amount to be received is determinable, collectability is reasonably assured and the sale of product giving rise to the incentive has been recognized. Our revenue from governmental incentive programs is generally comprised of amounts received from the USDA Advanced Biofuel



Program, or the USDA Program, and the biodiesel tax credit. In connection with the biodiesel tax credit, we file a claim with the Internal Revenue Service for a refund of excise taxes each week for gallons we have blended to B99.9 and sold. The biodiesel tax credit provided a \$1.00 refundable tax credit per gallon.

## Results of Operations

### Fiscal years ended December 31, 2019 and December 31, 2018

Set forth below is a summary of certain financial information (dollars in thousands and gallons in millions except per gallon data) for the periods indicated:

	Twelve Months Ended December 31,	
	2019	2018
<b>Gallons sold</b>	700.3	649.2
<b>Average biomass-based diesel price per gallon (ASP excluding BTC net benefit of \$2.75 and \$3.03 for the years ended December 31, 2019 and 2018, respectively)</b>	\$ 3.65	\$ 3.43
<b>Revenues from continuing operations</b>	\$ 2,641,393	\$ 2,382,987
<b>Costs of goods sold from continuing operations</b>	2,111,324	1,962,996
<b>Gross profit from continuing operations</b>	530,069	419,991
Selling, general and administrative expenses	118,209	106,739
Impairment of property, plant and equipment	12,208	879
<b>Income from operations</b>	399,652	312,373
Other expense, net	(10,491)	(2,874)
Income tax benefit (expense)	570	(5,871)
<b>Net income from continuing operations</b>	389,731	303,628
<b>Net loss from discontinued operations</b>	(9,667)	(11,312)
<b>Net income</b>	380,064	292,316
Effects of participating share-based awards on continuing operations	(8,619)	(7,824)
<b>Net income from continuing operations available to common stockholders</b>	\$ 381,112	\$ 295,804
<b>Net loss from discontinued operations attributable to common stockholders</b>	\$ (9,667)	\$ (11,312)

### Continuing Operations:

**Revenues.** Our total revenues increased \$258.4 million, or 11%, to \$2,641.4 million for the year ended December 31, 2019, from \$2,383.0 million for the year ended December 31, 2018. Due to the retroactive reinstatement of the BTC in December 2019 for the 2018-2019 periods, we recognized in the fourth quarter of 2019 \$506.7 million of BTC revenue, \$237.4 million of which was attributable to sales in 2018 and \$269.3 million of which was attributable to sales in 2019. Due to the retroactive reinstatement of the BTC in February 2018 for the 2017 periods, we recognized in the first quarter of 2018 \$220.2 million of BTC revenue, \$209.1 million of which was attributable to sales in 2017. These recognitions of BTC revenue attributable to operations from prior periods resulted in increased revenue for the period. The increase in total revenues was also driven by an increase in total gallons sold of 51.1 million gallons, or 8%, offset by a decrease in average selling price excluding the BTC of \$0.28, as well as a decrease in Separated RIN sales of \$39.6 million.

Biomass-based diesel revenues including government incentives increased \$259.1 million, or 11%, to \$2,639.8 million during the year ended December 31, 2019, from \$2,380.7 million for the year ended December 31, 2018. The increase in revenues was mostly attributable to the recognition in the fourth quarter of 2019 of BTC revenue relating to operations in the 2018 period, which exceed the BTC revenue recognized in the 2018 period relating to our 2017 operations by \$286.5 million. Gallons sold increased 51.1 million, or 8%, to 700.3 million during the year ended December 31, 2019, compared to 649.2 million during the year ended December 31, 2018. The increase in gallons sold for the year ended December 31, 2019 accounted for a revenue increase of \$140.5 million using 2019 average sales pricing. Our average biomass-based diesel sales price per gallon including the BTC net benefits increased \$0.22, or 6%, to \$3.65 during the year ended December 31, 2019 compared to \$3.43 during the year ended December 31, 2018. Excluding the BTC net benefits, our average biomass-based diesel sales price decreased \$0.28, or 9%, compared to \$3.03 for 2018. This decrease was mainly due to the lower energy prices in 2019. The decrease in average sales price excluding the BTC net benefits from 2019 to 2018 contributed to a \$181.8 million

revenue decrease when applied to the number of gallons sold during 2018. Sales of separated RIN inventory were \$98.3 million and \$137.9 million for the years ended December 31, 2019 and 2018, respectively, reducing the overall increase in biomass-based diesel revenues in 2019. RIN prices, which we believe have been inversely correlated to the HOBOSpread, decreased significantly in 2018 and declined almost 60% during the 2018-2019 period, with low prices persisting throughout 2019.

*Costs of goods sold.* Our costs of goods sold increased \$148.3 million, or 8%, to \$2,111.3 million for the year ended December 31, 2019, from \$1,963.0 million for the year ended December 31, 2018. Costs of goods sold as a percentage of revenues were 80% and 82% for the years ended December 31, 2019 and 2018, respectively.

Biomass-based diesel costs of goods sold increased in 2019 mainly due to an 8% increase in gallons sold. Average lower cost feedstocks prices for the years ended December 31, 2019 and December 31, 2018, were \$0.26 per pound. Average soybean oil costs for the years ended December 31, 2019 and December 31, 2018 were \$0.31 per pound. We recorded risk management losses of \$28.9 million from our derivative financial instrument activity in 2019, compared to risk management gains of \$18.4 million for 2018. Our risk management gains and losses are directly impacted by any volatility in the energy and commodities market. Costs of goods sold for separated RIN inventory sales were \$39.2 million and \$75.7 million for the years ending December 31, 2019 and 2018, respectively.

*Selling, general and administrative expenses.* Our selling, general and administrative, or SG&A, expenses increased \$11.5 million, or 11%, to \$118.2 million for the year ended December 31, 2019, compared to \$106.7 million for the year ended December 31, 2018. As a percentage of revenues, our SG&A expenses were 4.5% for both 2019 and 2018, respectively. The increase in 2019 year over year was driven largely by higher employee related compensation, arising from the Company's strong financial performance in 2019.

*Impairment of property, plant and equipment.* We recorded a property, plant and equipment impairment in 2019 of approximately \$12.2 million mainly due to the closure of the New Boston refinery. During 2018, we recorded a \$0.9 million property, plant and equipment impairment after we determined that the carrying amounts of certain assets were deemed not recoverable.

*Other income (expense), net.* Other expense was \$10.5 million for the year ended December 31, 2019, compared to other expense of \$2.9 million for the year ended December 31, 2018. Other income (expense) is primarily comprised of change in fair value of contingent consideration, gain on debt extinguishment, gain on involuntary conversion, change in fair value of convertible debt conversion liability, interest expense, interest income and other non-operating items. In 2019, we had a \$0.5 million gain on debt extinguishment and in 2018 we had a \$6.3 million gain on debt extinguishment, a difference of \$5.8 million. The \$6.3 million net increase in other expense in 2019 was primarily due to this difference in gain on debt extinguishment between the periods. In addition, in 2018 we recorded gain from involuntary conversion related to a fire at our Madison facility that offset higher interest expense for the year, resulting in lower total other expense compared to 2019.

*Income tax benefit (expense).* Income tax benefit recorded during the year ended December 31, 2019 was \$0.6 million, compared to income tax expense of \$5.9 million for the year ended December 31, 2018, with the decrease primarily resulting from additional tax expense incurred in connection with the repurchase of a significantly greater amount of our 2016 convertible debt in 2018 compared to repurchases in 2019. At December 31, 2019 and 2018, we had net deferred income tax assets of approximately \$343.5 million and \$275.2 million, respectively, with a valuation allowance of \$350.5 million and \$283.6 million, respectively. As a result, our effective tax rate was 0.2% and 2.0% for the years ended December 31, 2019 and 2018, respectively.

*Effects of participating share-based awards.* Effects of participating restricted stock units was \$8.6 million and \$7.8 million for the years ended December 31, 2019 and 2018, respectively.

#### **Discontinued Operations:**

Net loss from discontinued operations for the year ended December 31, 2019 of \$9.7 million, primarily related to the research and development activities of REG Life Sciences and expenses incurred related to the sale of the business. In 2019, REG Life Sciences continued to incur costs that primarily relate to certain pre-existing contractual agreements and legal and professional fees related to the disposition and wind-down of operations. We do not expect future costs to be material. For the year ended December 31, 2018, the net loss was \$11.3 million. This loss included an impairment loss, net of tax, of \$11.2 million reflecting the fair value of the estimated proceeds from a sale, net of costs to sell. Net loss from discontinued operations for the year ended December 31, 2018 also included a loss of \$14.0 million primarily related to the research and development activities of REG Life Sciences, which was offset by a change in value of contingent consideration of \$13.9 million.

#### **Fiscal years ended December 31, 2018 and December 31, 2017**

Set forth below is a summary of certain financial information (dollars in thousands and gallons in millions except per gallon data) for the periods indicated:

	<b>Twelve Months Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Gallons sold</b>	649.2	586.7
<b>Average biomass-based diesel price per gallon (ASP excluding BTC net benefit of \$3.03 for the year ended December 31, 2018)</b>	\$ 3.43	\$ 3.06
<b>Revenues from continuing operations</b>	\$ 2,382,987	\$ 2,154,655
<b>Costs of goods sold from continuing operations</b>	1,962,996	2,070,301
<b>Gross profit from continuing operations</b>	419,991	84,354
Selling, general and administrative expenses	106,739	95,843
Impairment of property, plant and equipment	879	49,873
<b>Income (loss) from operations</b>	312,373	(61,362)
Other income (expense), net	(2,874)	(35,407)
Income tax benefit (expense)	(5,871)	30,490
<b>Net income (loss) from continuing operations</b>	303,628	(66,279)
<b>Net loss from discontinued operations</b>	(11,312)	(12,800)
<b>Net income (loss)</b>	292,316	(79,079)
Effects of participating share-based awards on continuing operations	(7,824)	—
<b>Net income (loss) from continuing operations available to common stockholders</b>	\$ 295,804	\$ (66,279)
<b>Net loss from discontinued operations available to common stockholders</b>	\$ (11,312)	\$ (12,800)

**Continuing Operations:**

*Revenues.* Our total revenues increased \$228.3 million, or 11%, to \$2,383.0 million for the year ended December 31, 2018, from \$2,154.7 million for the year ended December 31, 2017. This increase was primarily due to the 2017 BTC that was earned during 2017 yet recognized in the first quarter of 2018 when it was retroactively reinstated, coupled with a 11% increase in gallons sold, offset by lower average selling price without the impact of the 2017 BTC. The increase in the total revenues was also negatively impacted by a significant reduction in revenues from sales of separated RINs.

Biomass-based diesel revenues including government incentives increased \$227.2 million, or 11%, to \$2,380.7 million during the year ended December 31, 2018, from \$2,153.5 million for the year ended December 31, 2017. Gallons sold increased 62.5 million, or 11%, to 649.2 million during the year ended December 31, 2018, compared to 586.7 million during the year ended December 31, 2017. The increase in gallons sold for the year ended December 31, 2018 accounted for a revenue increase of \$189.4 million using 2018 average sales pricing. The increase in revenues was also attributable to a \$338.8 million increase in government incentives revenues in 2018 as the 2017 BTC was not reinstated until February 9, 2018 and was recognized in revenues in the first quarter of 2018. Our average biomass-based diesel sales price per gallon including the 2017 BTC net benefit increased \$0.37, or 12%, to \$3.43 during the year ended December 31, 2018, but decreased \$0.03, or 1%, excluding the 2017 BTC net benefit, compared to \$3.06 during the year ended December 31, 2017. This decrease was mainly due to the lower energy prices in 2018. The decrease in average sales price excluding the 2017 BTC net benefit from 2017 to 2018 contributed to a \$17.6 million revenue decrease when applied to the number of gallons sold during 2017. The net 2017 BTC benefits contributed to an increase in revenues of \$206.5 million. Sales of separated RIN inventory were \$137.9 million and \$337.5 million for the years ended December 31, 2018 and 2017, respectively, reducing the overall increase in biomass-based diesel revenues in 2018. RIN value decreased significantly in 2018 - RIN prices declined almost 60% year over year, and we believe RIN prices have been inversely correlated to the HOB0 spread.

*Costs of goods sold.* Our costs of goods sold decreased \$107.3 million, or 5%, to \$1,963.0 million for the year ended December 31, 2018, from \$2,070.3 million for the year ended December 31, 2017. Costs of goods sold as a percentage of revenues were 82% and 96% for the years ended December 31, 2018 and 2017, respectively. The significant drop in costs of goods sold as a percentage of revenues is largely due to the recognition of the 2017 BTC in full as revenues in the first quarter

of 2018 and lower feedstock costs as discussed below, coupled with risk management gains in 2018 as compared to losses in 2017.

Biomass-based diesel costs of goods sold decreased in 2018 despite a 11% increase in gallons sold, largely driven by lower feedstock costs and gains from risk management activity. Average lower-cost feedstocks prices for the year ended December 31, 2018 were \$0.26 per pound, compared to \$0.28 per pound for the year ended December 31, 2017. Average soybean oil costs for the years ended December 31, 2018 and December 31, 2017 were \$0.31 and \$0.34 per pound. We recorded risk management gains of \$18.4 million from our derivative financial instrument activity in 2018, compared to risk management losses of \$23.4 million for 2017. This fluctuation in risk management gains and losses was mainly due to the volatility in the energy and commodities market. Costs of goods sold for separated RIN inventory sales were \$75.7 million and \$264.8 million for the years ending December 31, 2018 and 2017, respectively.

*Selling, general and administrative expenses.* Our selling, general and administrative, or SG&A, expenses were \$106.7 million for the year ended December 31, 2018, compared to \$95.8 million for the year ended December 31, 2017. SG&A expenses increased \$10.9 million, or 11%, for the year ended December 31, 2018 as compared to the year ended December 31, 2017. As a percentage of revenues, our SG&A expenses were 4.5% and 4.4% for 2018 and 2017, respectively. The increase in 2018 year over year was driven largely by higher employee related compensation, arising from the Company's strong financial performance in 2017.

*Impairment of property, plant and equipment.* The amount of property, plant and equipment impairment recorded in 2018 was approximately \$0.9 million mainly due to the impairment charges related to certain identified plant property, plant and equipment at our current facilities as the carrying amounts of those assets were deemed not recoverable. During the fourth quarter of 2017, we recorded impairment charges of \$44.6 million against property, plant and equipment assets at our partially completed facility in New Orleans, Louisiana. The impairment charge resulted from the probability that the project would not be completed in the near term as a result of other strategic investment priorities, such as potential expansion of our renewable diesel facility at Geismar, coupled with limited financing availability and construction cost requirements. In addition, during 2017, we recorded impairment charges of \$5.3 million against certain identified plant property, plant and equipment at our other facilities as the carrying amounts of those assets were deemed not recoverable.

*Other income (expense), net.* Other expense was \$2.9 million for the year ended December 31, 2018, compared to other income of \$35.4 million for the year ended December 31, 2017. Other income (expense) is primarily comprised of change in fair value of contingent consideration, gain on debt extinguishment, gain on involuntary conversion, change in fair value of convertible debt conversion liability, interest expense, interest income and other non-operating items. On December 8, 2017, at the special meeting of stockholders, we obtained approval from our stockholders to remove the common stock issuance restrictions in connection with conversions of the 2036 Convertible Senior Notes. Accordingly, the embedded conversion option was reclassified into Additional Paid-in Capital at December 8, 2017, resulting in a \$18.8 million expense in 2017 related to the fair value adjustment on the convertible debt conversion liability. There was no such expense in 2018. The other expense in 2018 was offset by debt extinguishment gains related to our buyback of the 2036 Convertible Senior Notes.

*Income tax benefit (expense).* Income tax expense recorded during the year ended December 31, 2018 was \$5.9 million, compared to an income tax benefit of \$30.5 million for the year ended December 31, 2017. The primary difference resulted from the enactment of the Tax Cuts and Jobs Act in the fourth quarter of 2017, which reduced the U.S. corporate income tax rate from 35% to 21%, causing a re-measurement of deferred tax liabilities, and the release of valuation allowance due to the reclassification of the 2036 Convertible Senior Notes to Additional Paid-in Capital. At December 31, 2018 and 2017, we had net deferred income tax assets of approximately \$275.2 million and \$257.2 million, respectively, with a valuation allowance of \$283.6 million and \$265.4 million, respectively. As a result, our effective tax rate was 2.0% and 27.8% for the years ended December 31, 2018 and 2017, respectively.

*Effects of participating share-based awards.* Effects of participating restricted stock units was \$7.8 million and \$0.0 million for the years ended December 31, 2018 and 2017, respectively.

***Discontinued Operations:***

In the fourth quarter of 2018, our Board of Directors authorized us to pursue a plan to sell the core assets and business of REG Life Sciences, the main component of our Renewable Chemicals segment. This represents a strategic shift in our business. As a result, REG Life Sciences business is classified as discontinued operations. Net loss from discontinued operations included an impairment loss, net of tax of \$11.2 million reflecting the fair value of the estimated proceeds from a sale, net of costs to sell. Net loss from discontinued operations for the year ended December 31, 2018 also included a loss of \$14.0 million primarily related to the research and development activities of REG Life Sciences, which was offset by a change in value of contingent consideration of \$13.9 million as a result of shortened duration to the final earnout determination date and reduced

commercialization probability. For the year ended December 31, 2017, the net loss was \$12.8 million. The net loss in both years were related to research and development expenses to bring industrial biotechnology products to market.

## Non - GAAP Financial Measures

### Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortization ("EBITDA") and adjusted EBITDA are not measures of financial performance under GAAP. We use EBITDA and EBITDA adjusted for certain additional items, identified in the table below, or Adjusted EBITDA, as a supplemental performance measure. We present EBITDA and Adjusted EBITDA because we believe they assist investors in analyzing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Adjusted EBITDA to evaluate, assess and benchmark our financial performance on a consistent and a comparable basis and as a factor in determining incentive compensation for our executives.

Since the fourth quarter of 2018, the operations of REG Life Sciences have been classified as discontinued operations. We have excluded the results from these discontinued operations from the calculation of Adjusted EBITDA. The corresponding prior period amounts have been reclassified to conform with the current period presentation. The following table provides our EBITDA and Adjusted EBITDA for the periods presented, as well as a reconciliation to net income (loss) from continuing operations:

(In thousands)	Year ended December 31,				Year ended December 31,					
	1Q-2019	2Q-2019	3Q-2019	4Q-2019	2019	1Q-2018	2Q-2018	3Q-2018	4Q-2018	2018
<b>Net income (loss) from continuing operations</b>	\$ (41,387)	\$ (57,635)	\$ (13,753)	\$ 502,506	\$ 389,731	\$ 217,844	\$ 29,042	\$ 25,472	\$ 31,270	\$ 303,628
<b>Adjustments:</b>										
Interest expense	4,219	3,737	2,866	1,354	12,176	4,651	4,925	4,003	3,955	17,534
Income tax (benefit) expense	(430)	(90)	(629)	579	(570)	(1,203)	3,835	854	2,385	5,871
Depreciation	9,099	9,142	9,107	8,950	36,298	8,739	9,004	8,977	9,604	36,324
Amortization of intangible assets	334	510	397	391	1,632	42	44	52	45	183
EBITDA	(28,165)	(44,336)	(2,012)	513,780	439,267	230,073	46,850	39,358	47,259	363,540
Gain on involuntary conversion	—	—	—	—	—	(4,000)	(454)	—	(3)	(4,457)
Gain on sale of assets	—	—	—	—	—	(990)	—	(13)	(2)	(1,005)
Change in fair value of contingent consideration	304	398	(136)	—	566	458	30	185	444	1,117
(Gain) loss on debt extinguishment	2	—	—	(490)	(488)	232	(2,337)	(788)	(3,404)	(6,297)
Other expense, net	(854)	(691)	(179)	(39)	(1,763)	(225)	(2,067)	(486)	(1,240)	(4,018)
Impairment of assets	—	468	11,145	595	12,208	—	—	—	879	879
Straight-line lease expense	—	—	—	—	—	(33)	(3)	(61)	(31)	(128)
Executive severance	—	—	—	—	—	165	50	—	—	215
Non-cash stock compensation	1,353	1,824	1,804	1,726	6,707	1,794	2,203	1,227	1,188	6,412
Adjusted EBITDA excluding BTC allocation	\$ (27,360)	\$ (42,337)	\$ 10,622	\$ 515,572	\$ 456,497	\$ 227,474	\$ 44,272	\$ 39,422	\$ 45,090	\$ 356,258
Biodiesel tax credit 2017 <sup>(1)</sup>	—	—	—	—	—	(206,521)	—	—	—	(206,521)
Biodiesel tax credit 2018 <sup>(2)</sup>	—	—	—	(238,564)	(238,564)	42,847	66,499	71,140	58,078	238,564
Biodiesel tax credit 2019 <sup>(2)</sup>	56,385	78,493	77,168	(212,046)	—	—	—	—	—	—
<b>Adjusted EBITDA</b>	<b>\$ 29,025</b>	<b>\$ 36,156</b>	<b>\$ 87,790</b>	<b>\$ 64,962</b>	<b>\$ 217,933</b>	<b>\$ 63,800</b>	<b>\$ 110,771</b>	<b>\$ 110,562</b>	<b>\$ 103,168</b>	<b>\$ 388,301</b>

<sup>(1)</sup> On February 9, 2018, the Biodiesel Mixture Excise Tax Credit ("BTC") was retroactively reinstated for the 2017 calendar year. The retroactive credit for 2017 resulted in a net benefit to us that was recognized in the first quarter of

2018 for GAAP purposes. Because this credit relates to the 2017 full year operating performance and results, we removed the net benefit of the 2017 BTC from our 2018 results.

<sup>(2)</sup>On December 20, 2019, the BTC was retroactively reinstated for the 2018 and 2019 calendar years. The retroactive credit for 2018 and 2019 resulted in a net benefit to us that was recognized in our GAAP financial statements for the quarter ending December 31, 2019. However, because a portion of this credit relates to the 2018 operating performance, our presentation of Adjusted EBITDA reflects the allocation of the net benefit to each of the four quarters of 2018 based upon the portion of the BTC benefit that related to that quarter. The portion of the credit related to 2019 was allocated to each of the four quarters based upon the portion of the BTC benefit that related to that quarter.

Adjusted EBITDA is a supplemental performance measure that is not required by, or presented in accordance with, generally accepted accounting principles, or GAAP. Adjusted EBITDA should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as alternatives to cash flows from operating activities or a measure of our liquidity or profitability. Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for any of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or the impact of certain cash charges that we consider not to be an indication of our ongoing operations;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital requirements;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect cash requirements for such replacements;
- stock-based compensation expense is an important element of our long term incentive compensation program, although we have excluded it as an expense when evaluating our operating performance; and
- other companies, including other companies in our industry, may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

### Liquidity and Capital Resources

*Sources of liquidity.* At December 31, 2019 and 2018, the total of our cash and cash equivalents and marketable securities was \$50.4 million and \$174.5 million, respectively. At December 31, 2019, we had total assets of \$1,785.3 million, compared to \$1,107.1 million at December 31, 2018. At December 31, 2019, we had term debt before debt issuance costs of \$106.0 million, compared to term debt before debt issuance costs of \$185.8 million at December 31, 2018. Our debt is subject to various financial covenants. We were in compliance with all financial covenants associated with the borrowings as of December 31, 2019.

Our term debt (in thousands) is as follows:

	December 31,	
	2019	2018
2.75% Convertible Senior Notes, matured and paid in June 2019	\$ —	\$ 66,361
4.00% Convertible Senior Notes, \$89,627 face amount, due in June 2036	69,668	75,477
REG Danville term loan, secured, variable interest rate of LIBOR plus 4%, due in July 2022	6,468	8,964
REG Ralston term loan, variable interest rate of LIBOR plus 2.25%, due in October 2025	15,980	18,948
REG Grays Harbor term loan, variable interest of minimum 3.5% or Prime Rate plus 0.25%, due in May 2022	6,966	8,828
REG Capital term loan, fixed interest rate of 3.99%, due in January 2028	6,929	7,185
Other	33	54
Total debt before debt issuance costs	<u>\$ 106,044</u>	<u>\$ 185,817</u>

In addition, we had revolving debt (in thousands) as follows:

	December 31,	
	2019	2018
Amount outstanding under lines of credit	\$ 76,990	\$ 14,250
Maximum available to be borrowed under lines of credit	\$ 101,485	\$ 114,889

#### 2019 Convertible Senior Notes

In June 2014, we issued \$143.8 million in convertible senior notes (the “2019 Convertible Senior Notes”) with a maturity date of June 15, 2019, unless earlier converted or repurchased. The 2019 Convertible Senior Notes bear interest at a rate of 2.75% per annum, payable semi-annually in arrears, beginning December 15, 2014. The initial conversion rate is 75.3963 shares of Common Stock per \$1,000 principal amount of 2019 Convertible Senior Notes, which represents an initial conversion price of approximately \$13.26 per share.

In accordance with the indenture governing the 2019 Convertible Senior Notes, we elected to settle all conversions of each \$1,000 principal amount of such Notes being converted on or after October 23, 2018, with \$1,000 in cash and any conversion value in excess of that amount in shares of our common stock. On June 15, 2019, the 2019 Convertible Senior Notes matured. We paid \$67.4 million in cash to settle the outstanding principal amount and issued 1,902,781 treasury shares to settle the conversion value that was in excess of the principal.

#### 2036 Convertible Senior Notes

In June 2016, we issued \$152.0 million aggregate principal amount of 4.00% Convertible Senior Notes due 2036 (the “2036 Convertible Senior Notes”) in a private offering to qualified institutional buyers. The 2036 Convertible Senior Notes bear interest at a rate of 4.00% per year payable semi-annually in arrears on June 15 and December 15 of each year, beginning December 15, 2016. The notes will mature on June 15, 2036, unless repurchased, redeemed or converted in accordance with their terms prior to such date. The initial conversion rate is 92.8074 common shares per \$1,000 principal amount of 2036 Convertible Senior Notes (equivalent to an initial conversion price of approximately \$10.78 per common share).

We may not redeem the 2036 Convertible Senior Notes prior to June 15, 2021. Holders of the 2036 Convertible Senior Notes will have the right to require us to repurchase for cash all or some of their notes at 100% of their principal, plus any accrued and unpaid interest on each of June 15, 2021, June 15, 2026 and June 15, 2031. Holders of the 2036 Convertible Senior Notes will have the right to require us to repurchase for cash all or some of their notes at 100% of their principal, plus any accrued and unpaid interest upon the occurrence of certain fundamental changes.

The 2036 Convertible Senior Notes will become convertible in the subsequent quarter if the closing price of our common stock exceeds \$14.01, 130% of the Convertible Senior Notes' initial conversion price, for at least 20 trading days during the 30 consecutive trading days prior to each quarter-end date. If the 2036 Convertible Senior Notes become convertible and should the holders elect to convert, our current intent and policy is to settle the principal amount the 2036 Convertible Senior Notes in cash, with the remaining value satisfied at our option in cash, stock or a combination of cash and stock. As of December 31, 2019 and December 31, 2018, the early conversion event was met based on our stock price and as a result, the 2036 Convertible Senior Notes have been classified as a current liability on our Consolidated Balance Sheets at December 31, 2019 and December 31, 2018.

During 2018, we used \$110.8 million under the 2017 and 2018 Programs to buy back \$55.7 million of principal of the 2036 Convertible Senior Notes, reflecting the conversion premium, after tax impact, of \$70.0 million and gains on debt extinguishment of \$6.4 million.

During 2019, we used the remaining \$7.4 million under the 2018 Program to repurchase \$3.9 million principal amount and approximately \$7.2 million under the 2019 Program to repurchase \$2.8 million principal amount of the 2036 Convertible Senior Notes, reflecting the conversion premium, after tax impact, of \$9.7 million and gains on debt extinguishment of \$0.5 million.

#### Other term debt

In January 2020, REG Danville and REG Grays Harbor paid off the outstanding balance of the debt that each company owed.

#### Lines of credit

On November 4, 2019, the M&L and Services Revolver was amended to allow through April 30, 2020 the maximum aggregate amount of the revolving commitments to be increased at the Company's option to \$175.0 million or \$200.0 million if the BTC was retroactively reinstated for 2018 and/or 2019 and/or 2020. In December 2019, following the reinstatement of the BTC, we exercised this right and increased the maximum aggregate amount of revolving credit commitments to \$200.0 million. After April 30, 2020, the maximum aggregate principal amount of revolver commitments will automatically reduce to \$150.0 million.

On March 3, 2020 the M&L and Services Revolver was amended to allow the borrowing base related to the BTC to increase from \$50.0 million to \$75.0 million. The amendment also allows the fixed charge coverage ratio testing threshold to be reduced from 10% to 5% until April 30, 2020.

*Cash flow.* The following table presents information regarding our cash flows and cash, cash equivalents and restricted cash for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Cash provided from (used in) operations	\$ (46,708)	\$ 365,534	\$ 29,796
Cash provided from (used in) investing activities	5,670	(97,197)	(63,869)
Cash used in financing activities	(32,052)	(219,205)	(10,158)
Net change in cash, cash equivalents and restricted cash	(73,090)	49,132	(44,231)
Cash, cash equivalents and restricted cash end of period	\$ 53,436	\$ 126,575	\$ 77,627

In 2019, we used \$46.7 million of cash in operating activities, compared to \$365.5 million provided from operations in 2018 and \$29.8 million provided from 2017. Cash used in operating activities for 2019 was mainly due to the buildup of accounts receivables of \$786.2 million, largely due to the recognition of two years of BTC benefit in the fourth quarter of the year, offset by a significant increase in accounts payable related to the reinstatement of the BTC of \$255.2 million due to customers and vendor. In 2018, we generated \$365.5 million of cash from operating activities, a significant increase from 2017, mainly driven by the net income of \$292.3 million, compared to net loss of \$79.1 million in 2017. During 2018, we received approximately \$381.8 million related to the reinstatement of the 2017 BTC related to continuing operations. Of this amount received, we paid \$150.8 million to our vendors and customers. The increase in net cash flows provided in investing activity was primarily impacted by the net maturities in marketable securities of \$51.1 million, compared to the net investments in marketable securities in 2018 of \$50.7 million and no investments in 2017. This increase was partially offset by a reduction in cash paid for property, plant and equipment of \$42.5 million, compared to \$46.5 million and \$67.6 million in 2018 and 2017, respectively. The primary change in financing activities for 2019 included the payment of \$67.4 million upon maturity of the 2019 Convertible Senior Notes and payments made for contingent consideration settlements. In 2018, financing activities included \$25.0 million used to buy back shares of our common stock, \$6.7 million used to buy back \$6.3 million principal amount of the 2019 Convertible Senior Notes and \$110.8 million used to buy back \$55.7 million principal amount of the 2036 Convertible Senior Notes. Also impacting financing activities were net borrowings on revolving lines of credit of \$70.1 million for the year ended December 31, 2019, compared to net repayments of \$51.0 million in 2018 and net borrowings of \$8.0 million in 2017.

*Capital expenditures:* During 2019, our capital expenditures were \$42.5 million involving various projects, the majority of which were at the Houston, Seneca and Geismar facilities. During 2018, our capital expenditures were \$46.5 million involving various projects, the majority of which were at the Madison, Ralston, Grays Harbor and Geismar facilities. During 2017, our capital expenditures were \$67.6 million involving various projects, the majority of which were upgrades to our facilities in New Boston, Madison, Seneca, Geismar, Germany and Ralston facilities. In June 2017, we completed an acquisition for \$20 million of approximately 82 acres of land in Geismar, Louisiana, which includes the land our Geismar biorefinery previously leased for its operations, as well as more than 61 adjacent acres, which we plan to improve and utilize to support existing production capacity and future expansion opportunities. Our budgeted capital expenditures for 2020 are approximately \$60.0 million, which includes investments in low cost, high return projects, environmental, health and safety projects and growth projects.

*Contractual Obligations:*

The following table describes our commitments to settle contractual obligations in cash as of December 31, 2019:



	Payments Due by Period				
	Total	Less Than 1 Year	Years 1-3	Years 4-5	More Than 5 Years
	(In thousands)				
Long-Term Debt <sup>(1)</sup>	\$ 127,265	\$ 78,505	\$ 16,056	\$ 9,918	\$ 22,786
Operating Lease Obligations <sup>(2)</sup>	53,087	17,252	18,620	5,607	11,608
Purchase Obligations <sup>(3)</sup>	13,089	3,298	5,952	3,839	—
	<u>\$ 193,441</u>	<u>\$ 99,055</u>	<u>\$ 40,628</u>	<u>\$ 19,364</u>	<u>\$ 34,394</u>

- (1) See Note 11 of Item 8 for additional detail. Includes fixed interest associated with these obligations. The 2036 convertible senior notes, although not contractually mature in 2020 are convertible at the option of the holder and therefore represented as a contractual obligation in 2020. The amounts included in the "Less than 1 Year" and "Years 1-3", related to the debt held by REG Danville that was subsequently repaid in January 2020 was \$2,496 and \$3,972, respectively. The amount in the "Less Than 1 Year" column includes the term debt and related interest at REG Danville and REG Grays Harbor amounting to \$6,468 and \$7,526, respectively, that was fully repaid in January 2020.
- (2) Operating lease obligations consist of leases of distribution terminals, biomass-based diesel storage facilities, railcars, vehicles, office buildings, and office equipment.
- (3) Purchase obligations for our production facilities.

#### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### Recent Accounting Pronouncements

For a discussion of new accounting pronouncements affecting us, refer to "Note 2 – Summary of Significant Accounting Policies" to our consolidated financial statements.

#### ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

The primary objectives of our investment activity are to preserve principal, provide liquidity and maximize income without significantly increasing risk. Some of the securities we invest in are subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we maintain a portfolio of cash equivalents in short-term investments in money market funds.

##### Commodity Price Risk

Over the period from January 2017 through December 2019, average diesel prices based on Platts reported pricing for Group 3 (Midwest) have ranged from a high of approximately \$2.47 per gallon reported in October 2018 to a low of approximately \$1.31 per gallon in June 2017, with prices averaging \$1.88 per gallon during this period. Over the period January 2017 to December 2019, soybean oil prices (based on daily closing nearby futures prices on the Chicago Board Of Trade for crude soybean oil) have ranged from a high of \$0.36 per pound, or \$2.69 per gallon of biodiesel, in January 2017 to a low of \$0.26 per pound, or \$1.98 per gallon of biodiesel, in May 2019 assuming 7.5 pounds of soybean oil yields one gallon of biodiesel with closing sales prices averaging \$0.31 per pound, or \$2.31 per gallon. Over the period from January 2017 through December 2019, animal fat prices (based on prices from The Jacobsen Missouri River, for choice white grease) have ranged from a high of \$0.28 per pound in August 2017 to a low of \$0.16 per pound in March 2018, with sales prices averaging \$0.22 per pound during this period. Over the period from January 2017 through December 2019, RIN prices (based on prices from OPIS) have ranged from a high of \$1.17 in August 2017 to a low of \$0.31 in October 2018, with sales prices averaging \$0.67 during this period.

Adverse fluctuations in feedstock prices as compared to biomass-based diesel prices result in lower profit margins and, therefore, represent unfavorable market conditions. The availability and price of feedstocks are subject to wide fluctuations due to unpredictable factors such as weather conditions during the growing season, rendering volumes, carry-over from the previous crop year and current crop year yield, governmental policies with respect to agriculture and supply and demand.

We have prepared a sensitivity analysis to estimate our exposure to market risk with respect to our sales contracts, lower-cost feedstock requirements, soybean oil requirements and the related exchange-traded contracts for 2019. Market risk is estimated as the potential loss in fair value, resulting from a hypothetical 10% adverse change in the fair value of our lower-

cost feedstock and soybean oil requirements and biomass-based diesel sales. The results of this analysis, which may differ from actual results, are as follows:

	2019 Volume (in millions)	Units	Hypothetical Adverse Change in Price	Impact on Annual Gross Profit (in millions)	Percentage Change in Gross Profit
Total Biomass-based Diesel	700.3	gallons	10%	\$ (255.6)	(48.2)%
Total Lower-Cost Feedstocks	2,804.2	pounds	10%	\$ (74.3)	(14.0)%
Total Canola Oil	573.5	pounds	10%	\$ (18.7)	(3.5)%
Total Soy Oil	573.3	pounds	10%	\$ (17.8)	(3.4)%

We attempt to protect operating margins by entering into risk management contracts that reduce the risk of price volatility related to anticipated purchases of feedstocks and energy prices. We create offsetting positions by using a combination of forward physical purchases and sales contracts on feedstock and biomass-based diesel, including risk management futures contracts, swaps and options primarily on NYMEX NY Harbor ULSD and CBOT Soybean Oil. The extent to which we engage in risk management activities depends on market conditions and other factors and varies substantially from time to time and from feedstock to feedstock. A 10% adverse change in the prices of NYMEX NY Harbor ULSD would have a positive effect of \$11.0 million on the fair value of these instruments at December 31, 2019. A 10% adverse change in the price of CBOT Soybean Oil would have had a negative effect of \$4.2 million on the fair value of these instruments December 31, 2019. A 10% adverse change in the price of NYMEX Natural Gas would have had an immaterial impact on our gross margin at December 31, 2019.

#### *Interest Rate Risk*

Our weighted average interest rate on variable rate debt balances during 2019 was 3.77% and a hypothetical increase in interest rate of 10% would not have a material effect on our annual interest expenses or consolidated financial statements.

#### *Inflation*

To date, inflation has not significantly affected our operating results, though costs for petroleum-based diesel fuel, feedstocks, construction, labor, taxes, repairs, maintenance and insurance are all subject to inflationary pressures. Inflationary pressure in the future could affect our ability to sell the biomass-based diesel we produce, maintain our production facilities adequately, build new biomass-based diesel production facilities and expand our existing facilities as well as the demand for our facility construction management and operations management services.

#### *Renewable Identification Numbers*

We are exposed to market risks related to the volatility in the price of credits needed to comply with governmental programs. For the past several years there has been significant volatility in RIN prices. Reductions in RIN values, such as those experienced in prior years, may have a material adverse effect on our revenues and profits as they directly reduce the value that we are able to capture for our biomass-based diesel.

#### *Foreign Currency Risk*

We have minimal exposure to foreign currency risk and as such the cost of hedging this risk is viewed to be in excess of the benefit of further reductions in our exposure to foreign currency exchange rate fluctuations.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and Board of Directors of  
Renewable Energy Group, Inc.

**Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of Renewable Energy Group, Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

**Basis for Opinions**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to 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. Our audit of internal control over financial reporting 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

**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/ Deloitte & Touche LLP

Des Moines, Iowa  
March 6, 2020

We have served as the Company's auditor since 2006.

**RENEWABLE ENERGY GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2019 AND 2018**  
**(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 50,436	\$ 123,575
Marketable securities	—	50,932
Accounts receivable (net of allowance for doubtful accounts of \$1,001 and \$673, respectively)	858,922	74,551
Inventories	161,429	168,900
Prepaid expenses and other assets	35,473	41,169
Restricted cash	3,000	3,000
Current assets held for sale	—	3,250
Total current assets	1,109,260	465,377
Property, plant and equipment, net	584,577	590,723
Right of use assets	36,899	—
Goodwill	16,080	16,080
Intangible assets, net	12,018	13,646
Other assets	26,515	21,270
<b>TOTAL ASSETS</b>	<b>\$ 1,785,349</b>	<b>\$ 1,107,096</b>
<b>LIABILITIES AND EQUITY</b>		
CURRENT LIABILITIES:		
Revolving lines of credit	\$ 76,990	\$ 14,250
Current maturities of long-term debt	77,131	149,006
Current maturities of operating lease obligations	15,690	—
Accounts payable	369,213	95,866
Accrued expenses and other liabilities	40,776	35,256
Deferred revenue	8,620	300
Total current liabilities	588,420	294,678
Deferred income taxes	6,975	8,410
Long-term debt (net of debt issuance costs of \$2,783 and \$3,390, respectively)	26,130	33,421
Long-term operating lease obligations	30,413	—
Other liabilities	1,505	5,334
Total liabilities	653,443	341,843
COMMITMENTS AND CONTINGENCIES (NOTE 19)		
EQUITY:		
Common stock (\$.0001 par value; 300,000,000 shares authorized; 38,967,079 and 37,318,942 shares outstanding, respectively)	5	5
Common stock—additional paid-in-capital	438,591	451,427
Retained earnings	800,792	427,244
Accumulated other comprehensive loss	(1,994)	(1,656)
Treasury stock (10,403,798 and 11,524,975 shares, respectively)	(105,488)	(111,767)
Total equity attributable to the Company's shareholders	1,131,906	765,253
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,785,349</b>	<b>\$ 1,107,096</b>

See notes to consolidated financial statements.

**RENEWABLE ENERGY GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
**(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)**

	2019	2018	2017
<b>REVENUES:</b>			
Biomass-based diesel sales	\$ 1,875,076	\$ 1,875,316	\$ 1,787,308
Separated RIN sales	98,285	137,895	337,501
Biomass-based diesel government incentives	666,392	367,490	28,728
	<u>2,639,753</u>	<u>2,380,701</u>	<u>2,153,537</u>
Other revenues	1,640	2,286	1,118
	<u>2,641,393</u>	<u>2,382,987</u>	<u>2,154,655</u>
<b>COSTS OF GOODS SOLD:</b>			
Biomass-based diesel	2,072,139	1,887,292	1,805,408
Separated RINs	39,174	75,704	264,765
Other costs of goods sold	11	—	128
	<u>2,111,324</u>	<u>1,962,996</u>	<u>2,070,301</u>
<b>GROSS PROFIT</b>	<b>530,069</b>	<b>419,991</b>	<b>84,354</b>
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	118,209	106,739	95,843
IMPAIRMENT OF PROPERTY, PLANT, AND EQUIPMENT	12,208	879	49,873
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>399,652</b>	<b>312,373</b>	<b>(61,362)</b>
<b>OTHER INCOME (EXPENSE), NET:</b>			
Change in fair value of contingent consideration	(566)	(1,117)	(2,151)
Change in fair value of convertible debt conversion liability	—	—	(18,833)
Gain on debt extinguishment	488	6,297	—
Gain on involuntary conversion	—	4,457	5,329
Other income (expense)	1,763	5,023	(997)
Interest expense	(12,176)	(17,534)	(18,755)
	<u>(10,491)</u>	<u>(2,874)</u>	<u>(35,407)</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>389,161</b>	<b>309,499</b>	<b>(96,769)</b>
INCOME TAX BENEFIT (EXPENSE)	570	(5,871)	30,490
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>389,731</b>	<b>303,628</b>	<b>(66,279)</b>
<b>DISCONTINUED OPERATIONS (NOTE 6):</b>			
Loss on operations of discontinued operations	(9,667)	(86)	(12,800)
Impairment loss on assets classified as held for sale	—	(11,226)	—
<b>NET LOSS ON DISCONTINUED OPERATIONS</b>	<b>(9,667)</b>	<b>(11,312)</b>	<b>(12,800)</b>
<b>NET INCOME (LOSS)</b>	<b>380,064</b>	<b>292,316</b>	<b>(79,079)</b>
<b>LESS—EFFECT OF PARTICIPATING SHARE-BASED AWARDS ON CONTINUING OPERATIONS</b>	<b>(8,619)</b>	<b>(7,824)</b>	<b>—</b>
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 381,112</b>	<b>\$ 295,804</b>	<b>\$ (66,279)</b>
<b>NET LOSS FROM DISCONTINUED OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS</b>	<b>\$ (9,667)</b>	<b>\$ (11,312)</b>	<b>\$ (12,800)</b>
<b>Basic net income (loss) per share available to common stockholders</b>			
Continuing operations	\$ 9.95	\$ 7.85	\$ (1.71)
Discontinued operations	\$ (0.25)	\$ (0.30)	\$ (0.33)
<b>Net income (loss) per share</b>	<b>\$ 9.71</b>	<b>\$ 7.56</b>	<b>\$ (2.04)</b>
<b>Diluted net income (loss) per share available to common stockholders</b>			
Continuing operations	\$ 9.01	\$ 6.78	\$ (1.71)
Discontinued operations	\$ (0.25)	\$ (0.30)	\$ (0.33)
<b>Net income (loss) per share</b>	<b>\$ 8.78</b>	<b>\$ 6.52</b>	<b>\$ (2.04)</b>
<b>Weighted-average shares used to compute basic net income (loss) per share available to common stockholders:</b>			
Basic	38,288,610	37,687,552	38,731,015
<b>Weighted-average shares used to compute diluted net income (loss) per share available to common stockholders:</b>			
Continuing operations	42,320,980	43,653,720	38,731,015
Discontinued operations	38,288,610	37,687,552	38,731,015
<b>Net income (loss)</b>	<b>42,320,980</b>	<b>43,653,720</b>	<b>38,731,015</b>

See notes to consolidated financial statements.

**RENEWABLE ENERGY GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
**(IN THOUSANDS)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net income (loss)	\$ 380,064	\$ 292,316	\$ (79,079)
Unrealized losses on marketable securities, net of taxes of \$0, \$0 and \$0, respectively	—	(28)	—
Foreign currency translation adjustments	(338)	(1,906)	6,029
Other comprehensive income (loss)	(338)	(1,934)	6,029
Comprehensive income (loss)	<u>\$ 379,726</u>	<u>\$ 290,382</u>	<u>\$ (73,050)</u>

See notes to consolidated financial statements.

RENEWABLE ENERGY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017 (IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

	Company Stockholders' Equity							
	Common Stock Shares	Common Stock	Common Stock-Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interest	Total
BALANCE, January 1, 2017	38,553,413	\$ 5	\$ 480,906	\$214,007	\$ (5,751)	\$ (81,824)	\$ 2,831	\$ 610,174
Conversion of restricted stock units to common stock (net of 71,112 shares of treasury stock purchased)	210,611	—	—	—	—	(872)	—	(872)
Settlement of stock appreciation rights in common stock (net of 35,955 shares of treasury stock purchased)	73,725	—	—	—	—	(385)	—	(385)
Acquisition of noncontrolling interest	—	—	(271)	—	—	—	(2,831)	(3,102)
Impact of 2036 Senior Notes conversion liability reclassification (net of tax impact of \$18,025)	—	—	27,908	—	—	—	—	27,908
Stock compensation expense	—	—	6,909	—	—	—	—	6,909
Foreign currency translation adjustment	—	—	—	—	6,029	—	—	6,029
Net loss	—	—	—	(79,079)	—	—	—	(79,079)
BALANCE, December 31, 2017	38,837,749	5	515,452	134,928	278	(83,081)	—	567,582
Conversion of restricted stock units to common stock (net of 146,999 shares of treasury stock purchased)	293,717	—	—	—	—	(2,280)	—	(2,280)
Settlement of stock appreciation rights in common stock (net of 62,866 shares of treasury stock purchased)	140,332	—	—	—	—	(1,191)	—	(1,191)
Convertible debt extinguishment impact (net of tax of \$5,498)	—	—	(70,689)	—	—	—	—	(70,689)
Treasury stock repurchases	(1,937,844)	—	—	—	—	(25,048)	—	(25,048)
Partial termination of capped call options	(15,012)	—	252	—	—	(167)	—	85
Stock compensation expense	—	—	6,412	—	—	—	—	6,412
Foreign currency translation adjustment	—	—	—	—	(1,906)	—	—	(1,906)
Net change in unrealized losses on marketable securities	—	—	—	—	(28)	—	—	(28)
Net income	—	—	—	292,316	—	—	—	292,316
BALANCE, December 31, 2018	37,318,942	5	451,427	427,244	(1,656)	(111,767)	—	765,253
Conversion of restricted stock units to common stock (net of 140,592 shares of treasury stock purchased)	345,655	—	—	—	—	(3,317)	—	(3,317)
Settlement of stock appreciation rights in common stock (net of 14,367 shares of treasury stock purchased)	26,346	—	(31)	—	—	(201)	—	(232)
Convertible debt extinguishment impact (net of tax of \$564)	—	—	(9,715)	—	—	—	—	(9,715)
Settlement of 2019 Convertible Debt in common stock, net of 1,902,781 shares of treasury stock	1,902,781	—	(18,779)	—	—	18,779	—	—
Unwind of capped call options	(626,645)	—	8,982	—	—	(8,982)	—	—
Stock compensation expense	—	—	6,707	—	—	—	—	6,707
Foreign currency translation adjustment	—	—	—	—	(338)	—	—	(338)
Adoption of ASC Topic 842, <i>Leases</i>	—	—	—	(6,516)	—	—	—	(6,516)
Net income	—	—	—	380,064	—	—	—	380,064
BALANCE, December 31, 2019	38,967,079	\$ 5	\$ 438,591	\$800,792	\$ (1,994)	\$ (105,488)	\$ —	\$1,131,906

See notes to consolidated financial statements.



**RENEWABLE ENERGY GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss) including noncontrolling interest	\$ 380,064	\$ 292,316	\$ (79,079)
Net loss from discontinuing operations	(9,667)	(11,312)	(12,800)
Net income (loss) from continuing operations	389,731	303,628	(66,279)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation expense	36,298	36,246	33,779
Amortization expense of assets and liabilities, net	22,457	996	1,589
Accretion of asset retirement obligations	51	47	62
Accretion of convertible note discount	539	5,014	5,413
Accretion of marketable securities	(146)	(215)	—
Impairment of property, plant and equipment, net	12,208	879	49,873
Provision (benefit) for doubtful accounts	447	(273)	139
Stock compensation expense	6,707	6,412	6,909
Deferred tax expense (benefits)	(591)	4,850	(30,088)
Change in fair value of contingent consideration	566	1,117	2,151
Gain on involuntary conversion	—	(4,457)	(5,329)
Gain on sales of assets	—	(974)	—
Change in fair value of convertible debt conversion liability	—	—	18,833
Gain on debt extinguishment	(488)	(6,297)	—
Other	11	593	246
Changes in asset and liabilities, net of effects from mergers and acquisitions:			
Accounts receivable	(786,178)	19,662	74,974
Inventories	7,151	(34,066)	12,029
Prepaid expenses and other assets	11,089	41,250	2,491
Accounts payable	263,208	14,221	(20,220)
Accrued expenses and other liabilities	16,505	(7,259)	(18,802)
Operating lease obligations	(20,913)	—	—
Deferred revenue	8,321	(1,918)	(25,028)
Net cash flows (used in) provided from operating activities - continuing operations	(33,027)	379,456	42,742
Net cash flows used in operating activities - discontinued operations	(13,681)	(13,922)	(12,946)
Cash provided from (used in) operations	(46,708)	365,534	29,796
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash paid for marketable securities	(3,478)	(70,745)	—
Maturities of marketable securities	54,584	20,000	—
Cash paid for purchase of property, plant and equipment	(42,518)	(46,453)	(67,557)
Insurance proceeds for asset impairments	—	4,464	8,000
Cash receipts from disposal of fixed assets	—	1,647	—
Cash paid for investments	(6,018)	(974)	(816)
Cash paid for acquisitions and additional interests, net of cash acquired	—	(4,801)	(3,482)
Net cash flows provided by (used in) investing activities - continuing operations	2,570	(96,862)	(63,855)
Net cash flows provided by (used in) investing activities - discontinued operations	3,100	(335)	(14)
Cash provided from (used in) investing activities	5,670	(97,197)	(63,869)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net (repayments) borrowings on line of credit	70,091	(50,967)	8,025
Borrowing on other lines of credit	113,459	71,865	8,812
Repayments on other lines of credits	(120,644)	(69,267)	(4,442)
Cash received for issuance of debt	—	14,034	23,575
Cash paid on debt	(80,365)	(143,516)	(14,659)
Cash paid for debt issuance costs	(116)	(697)	(1,062)
Cash received on partial termination of capped call options	—	85	—
Cash paid for treasury stock	—	(25,048)	—
Cash paid for contingent consideration	(10,427)	(12,223)	(29,150)
Cash paid for conversion of restricted stock units and stock appreciation rights	(3,550)	(3,471)	(1,257)
Other financing activities	(500)	—	—
Net cash flows used in financing activities - continuing operations	(32,052)	(219,205)	(10,158)
Net cash flows provided from financing activities - discontinuing operations	—	—	—
Cash used in financing activities	(32,052)	(219,205)	(10,158)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(73,090)	49,132	(44,231)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH at Beginning of period	126,575	77,627	120,210
Effect of exchange rate changes on cash	(49)	(184)	1,648

CASH, CASH EQUIVALENTS AND RESTRICTED CASH at End of period	\$	53,436	\$	126,575	\$	77,627
---	----	--------	----	---------	----	--------

(continued)

**RENEWABLE ENERGY GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
**(IN THOUSANDS)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:</b>			
Cash paid for income taxes	\$ 740	\$ 910	\$ 252
Cash paid for interest	\$ 9,054	\$ 11,453	\$ 11,637
Leased assets obtained in exchange for new operating lease liabilities	\$ 11,581	\$ —	\$ —
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Amounts included in period-end accounts payable for:			
Purchases of property, plant and equipment	\$ 3,641	\$ 3,459	\$ 7,688
Issuance costs	\$ —	\$ 37	\$ 29
2036 Convertible Senior Notes settlement	\$ 9,402	\$ —	\$ —
Contingent consideration for acquisitions	\$ —	\$ 482	\$ —
Non-cash reclassification of the 2036 Convertible Notes conversion liability to additional paid in capital, net of tax impact	\$ —	\$ —	\$ 27,908
Issuance of treasury stock to settle 2019 Convertible Senior Notes conversion premium	\$ (18,779)	\$ —	\$ —
Receipt in treasury stock for settlement of capped call option	\$ 8,952	\$ —	\$ —

See notes to consolidated financial statements.

(concluded)

**RENEWABLE ENERGY GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For The Three Years Ended December 31, 2019, 2018 and 2017**  
**(In Thousands, Except Share and Per Share Amounts)**

**NOTE 1—ORGANIZATION, PRESENTATION, AND NATURE OF THE BUSINESS**

Renewable Energy Group, Inc. (the "Company" or "REG") is a company focused on providing cleaner, lower carbon transportation fuels. Today, the Company principally generates revenue as the leading North American advanced biofuels producer with a nationwide distribution and logistics system. The Company participates in each aspect of biomass-based diesel production, from acquiring feedstock, managing construction and operating biomass-based diesel production facilities, to marketing, selling and distributing biomass-based diesel and its co-products. To do this, REG utilizes its nationwide production, distribution and logistics system as part of an integrated value chain model to focus on converting natural fats, oils and greases into advanced biofuels.

As of December 31, 2019, the Company owns and operates thirteen biorefineries, with eleven locations in North America and two locations in Europe, which includes twelve operating biomass-based diesel production facilities with aggregate nameplate production capacity of 505 million gallons per year ("mmgy") and one fermentation facility. Ten of these plants are "multi-feedstock capable" which allows them to use a broad range of lower-cost feedstocks, such as distillers corn oil, used cooking oil and inedible animal fats in addition to vegetable oils, such as soybean oil and canola oil. In August 2019, the Company closed the New Boston, Texas biorefinery, which had a nameplate capacity was 15 mmgy.

The biomass-based diesel industry and the Company's business have benefited from certain federal and state incentives. The federal biodiesel mixture excise tax credit (the "BTC") was retroactively reinstated on February 9, 2018 for the year 2017 and on December 20, 2019 for the years 2018 and 2019. The BTC has also been extended through December 31, 2022.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and entities which it controls. All intercompany balances and transactions have been eliminated for consolidated reporting purposes.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of money market funds and demand deposits with financial institutions. The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Restricted Cash**

The Company segregates certain cash balances as restricted cash that represent those funds required to be set aside by a contractual agreement. The Company classifies restricted cash between current and non-current assets based on the length of time of the restricted use.

As of December 31, 2019, 2018 and 2017, current restricted cash amounted to \$3,000, \$3,000, and \$0, respectively. The restricted cash was held as pledges for letters of credit issued to support our operations. See the table below for reconciliation of Cash and cash equivalents and restricted cash in regard to the Consolidated Statements of Cash Flows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Cash and cash equivalents	\$ 50,436	\$ 123,575	\$ 77,627
Restricted cash	3,000	3,000	—
<b>Total cash, cash equivalents and restricted cash shown in the statement of cash flow</b>	<b>\$ 53,436</b>	<b>\$ 126,575</b>	<b>\$ 77,627</b>

## Marketable Securities

The Company's marketable securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in "Accumulated other comprehensive income (loss)". Realized gains or losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are reported in "Other income (expense), net". The Company evaluates such investments periodically for possible other-than-temporary impairment. A decline of fair value below amortized costs of debt securities is considered an other-than-temporary impairment if the Company has the intent to sell the security or if it is more likely than not that the Company will be required to sell the security before recovery of the entire amortized cost basis. In those instances, an impairment charge equal to the difference between the fair value and the amortized cost basis is recognized in earnings. Regardless of the Company's intent or requirement to sell a debt security, an impairment is considered other-than-temporary if the Company does not expect to recover the entire amortized cost basis; in those instances, a credit loss equal to the difference between the present value of the cash flows expected to be collected based on credit risk and the amortized cost basis of the debt security is recognized in earnings. The Company has no marketable securities as of December 31, 2019.

## Accounts Receivable

Accounts receivable are carried at invoiced amount less allowance for doubtful accounts. Management estimates the allowance for doubtful accounts based on existing economic conditions, the financial conditions of customers and the amount and age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are generally written off against the allowance for doubtful accounts only after reasonable collection attempts have been exhausted.

As of December 31, 2019, the Company recorded a receivable of \$672,627 and \$109,406 from the federal government and customers, respectively, related to the reinstatement of the 2018 and 2019 BTC.

## Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined based on the first-in, first-out method. There were no lower of cost or market adjustments made to the inventory values reported as of December 31, 2019 and 2018.

## Renewable Identification Numbers (RINs)

When the Company produces and sells a gallon of biomass-based diesel, 1.5 to 1.7 RINs per gallon are generated. RINs are used to track compliance with the RFS2. RFS2 allows the Company to attach between zero and 2.5 RINs to a gallon of biomass-based diesel. As a result, a portion of the selling price for a gallon of biomass-based diesel is generally attributable to RFS2 compliance. However, RINs that the Company generates are a form of government incentive and not a result of the physical attributes of the biomass-based diesel production. Therefore, no cost is allocated to the RIN when it is generated, regardless of whether the RIN is transferred with the biomass-based diesel produced or held by the Company pending attachment to other biomass-based diesel.

In addition, the Company also obtains RINs from third parties who have separated the RINs from gallons of biomass-based diesel. From time to time, the Company holds varying amounts of these separated RINs for resale. RINs obtained from third parties are initially recorded at their cost and are subsequently revalued at the lower of cost or net realizable as of the last day of each accounting period. The resulting adjustments are reflected in costs of goods sold for the period. The value of these RINs is reflected in "Prepaid expenses and other assets" on the Consolidated Balance Sheets. The cost of goods sold related to the sale of these RINs is determined using the average cost method, while market prices are determined by RIN values, as reported by OPIS.

## Low Carbon Fuel Standard

The Company generates Low Carbon Fuel Standard ("LCFS") credits for its low carbon fuels or blendstocks when its qualified low carbon fuels are transported into an LCFS market. LCFS credits are used to track compliance with LCFS. As a result, a portion of the selling price for a gallon of biomass-based diesel sold into an LCFS market is also attributable to LCFS compliance. However, LCFS credits that the Company generates are a form of government incentive and not a result of the physical attributes of the biomass-based diesel production. Therefore, no cost is allocated to the LCFS credit when it is generated, regardless of whether the LCFS credit is transferred with the biomass-based diesel produced or held by the Company.

In addition, the Company also obtains LCFS credits from third party trading activities. From time to time, the Company holds varying amounts of these third party LCFS credits for resale. LCFS credits obtained from third parties are initially recorded at their cost and are subsequently revalued at the lower of cost or net realizable value as of the last day of each accounting period and the resulting adjustments are reflected in costs of goods sold for the period. The value of LCFS credits obtained from third parties is reflected in "Prepaid expenses and other assets" on the Consolidated Balance Sheets. The cost of goods sold related to the sale of these LCFS credits is determined using the average cost method, while market prices are determined by LCFS values, as reported by the OPIS. At December 31, 2019 and 2018, the Company held no LCFS credits purchased from third parties.

The Company records assets acquired and liabilities assumed through the exchange of non-monetary assets based on the fair value of the assets and liabilities acquired or the fair value of the consideration exchanged, whichever is more readily determinable.

#### Derivative Instruments

Derivatives are recorded net on the balance sheet in Prepaid Expenses and Other Assets at fair value with changes in fair value recognized in current period earnings. The Company did not elect to use hedge accounting during the periods presented.

#### Property, Plant and Equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Maintenance and repairs are expensed as incurred. Depreciation expense is computed on a straight-line method based upon estimated useful lives of the assets. Estimated useful lives are as follows:

Automobiles and trucks	5 years
Computers and office equipment	5 years
Office furniture and fixtures	7 years
Machinery and equipment	5-30 years
Leasehold improvements	the lesser of the lease term or 30 years
Buildings and improvements	30-40 years

In June 2017, the Company experienced a fire at its Madison facility, resulting in the shutdown of the facility. In 2017, the Company impaired fixed assets with a total net book value of approximately \$2,671 as a result of the fire in June 2017. The Company received payments in the amounts of \$12,454 and \$9,484 to cover initial costs incurred for property losses and business interruption, respectively. The Company recognized a final business interruption gain related to the fire of \$4,454 for the year ended December 31, 2018.

During the years ended December 31, 2019, 2018 and 2017, the Company capitalized interest incurred on debt during the construction of assets of \$0, \$360 and \$301, respectively.

#### Goodwill

Goodwill is tested for impairment annually on July 31 or when impairment indicators exist. Goodwill is allocated and tested for impairment by reporting units. At December 31, 2019 and 2018, the Company had goodwill in the Services reporting unit. The annual impairment test at July 31, 2019 determined that the fair value of the Services reporting unit exceeded its carrying value by approximately 5%. No impairment of goodwill was recorded during the years ended December 31, 2019 and 2018.

#### Impairment of Long-lived Assets

The Company tests its long-lived assets for recoverability when events or circumstances indicate that its carrying amount may not be recoverable. Significant assumptions used in the undiscounted cash flow analysis, when it is required, include the projected demand for biomass-based diesel based on annual renewable fuel volume obligations under the RFS2, the Company's capacity to meet that demand, the market price of biomass-based diesel and the cost of feedstock used in the manufacturing process. For facilities under construction, estimates also include the capital expenditures necessary to complete construction of the plant and the projected costs of financing.

During 2019, the Company recorded impairment charges of \$12,208, of which \$11,145 was related to its New Boston facility's property, plant and equipment resulting from the closing of the plant and the unlikelihood that the plant will be reopened in the near future due to the deteriorating economic conditions uniquely facing the plant. The impairment charge reflected the difference between the carrying amount and the estimated fair value. The fair value was determined based on a cost approach. The inputs include replacement cost estimates adjusted for physical deterioration and economic obsolescence. This method of assigning fair value to each asset type and aggregating those values represents a Level 3 asset measurement in determining the fair value on a nonrecurring basis subsequent to its original recognition. In 2018, impairment charges on continuing operations of \$879 were recorded related to certain identified plant property, plant and equipment at our current facilities as the carrying amounts of those assets were deemed not recoverable. Refer to "Note 6 - Discontinued Operations" for details on asset impairments related to discontinued operations. In 2017, impairment charges of \$44,649 and \$5,224 were recorded related to the Company's New Orleans facility's property, plant and equipment assets and certain other plant, property and equipment.

#### **Convertible Debt**

In June 2014, the Company issued \$143,800 aggregate principal amount of 2.75% of convertible senior notes due in 2019 (the "2019 Convertible Senior Notes"). During the year ended December 31, 2018, the Company used \$6,689 under the 2017 Program (defined below in "Security Repurchase Programs") to repurchase \$6,311 principal amount of the 2019 Convertible Senior Notes. On June 15, 2019, the 2019 Convertible Senior Notes matured. The Company elected to settle the principal balance with cash and the excess conversion amount was satisfied by the Company issuing 1,902,781 shares of treasury stock at settlement.

In June 2016, the Company issued \$152,000 aggregate principal amount of 4% convertible senior notes due in 2036 (the "2036 Convertible Senior Notes"). See "Note 11 - Debt" for a further description of the 2036 Convertible Senior Notes. During the year ended December 31, 2019, the Company used \$14,638, of which \$9,402 was settled after year end, to repurchase \$6,673 principal amount of the 2036 Convertible Senior Notes, reflecting conversion premium, after tax impact, of \$9,715 as a reduction of Additional Paid-in Capital and gains on debt extinguishment of \$488 in the Consolidated Statements of Operations. During the year ended December 31, 2018, the Company used \$110,828 to repurchase \$55,700 principal amount of the 2036 Convertible Senior Notes, reflecting conversion premium, after tax impact of \$70,011 as a reduction of Additional Paid-in Capital and gains on debt extinguishment of \$6,065 in the Consolidated Statements of Operations.

#### **Capped Call Transaction**

In connection with the issuance of the 2019 Convertible Senior Notes, the Company entered into capped call transactions. The purchased capped call transactions were recorded as a reduction to common stock-additional paid-in-capital. During 2016, in connection with the issuance of the 2036 Convertible Senior Notes, certain call options covered by the original capped call transaction were rebalanced and reset to cover 100% of the total number of shares of the Company's Common Stock underlying the remaining principal of the 2019 Convertible Senior Notes. As part of the settlement of the 2019 Convertible Senior Notes, the Company settled all related capped call options in June 2019 and received 625,558 shares of common stock. The impact of these transactions, net of tax, was reflected as an addition/reduction to "Common Stock-Additional Paid-In Capital" as presented in the Consolidated Statements of Stockholders' Equity.

#### **Security Repurchase Programs**

In December 2017, June 2018 and January 2019, the Company's Board of Directors approved a repurchase program, each of up to \$75,000 of the Company's convertible notes and/or shares of common stock (the "2017 Program", "2018 Program", and "2019 Program", respectively). Under these programs, the Company may repurchase convertible notes or shares from time to time in open market transactions, privately negotiated transactions or by other means. The timing and amount of repurchase transactions under each program are determined by the Company's management based on its evaluation of market conditions, share price, bond price, legal requirements and other factors. The table below sets out the information regarding the activities under the 2017 Program, the 2018 Program and 2019 Program during 2018 and 2019:

	For the year ended December 31, 2019				For the year ended December 31, 2018			
	Number of shares/Principal amount in \$'000	June 2018 Program	January 2019 Program	Both Programs	Number of shares/Principal amount in \$'000	December 2017 Program	June 2018 Program	Both Programs
Repurchases of shares of common stock	—	\$ —	\$ —	\$ —	1,937,844	\$ 25,048	\$ —	\$ 25,048
2019 Convertible Senior Notes Repurchases	\$ —	\$ —	\$ —	\$ —	\$ 6,311	\$ 6,689	\$ —	\$ 6,689
2036 Convertible Senior Notes Repurchases	\$ 6,673	\$ 7,435	\$ 7,203	\$ 14,638	\$ 55,700	\$ 43,263	\$ 67,565	\$ 110,828

### Foreign Currency Transactions and Translation

The Company's reporting and functional currency is U.S. dollars. Monetary assets and liabilities denominated in currencies other than U.S. dollars are remeasured into their respective functional currencies at exchange rates in effect at the balance sheet date. The resulting exchange gain or loss is included in the Company's Consolidated Statements of Operations as foreign exchange gain (loss) unless the remeasurement gain or loss relates to an intercompany transaction that is of a long-term investment nature and for which settlement is not planned or anticipated in the foreseeable future. Gains or losses arising from translation of such transactions are reported as a component of accumulated other comprehensive income (loss) in the Company's Consolidated Balance Sheets.

The Company translates the assets and liabilities of its foreign subsidiaries from their respective functional currencies to U.S. dollars at the appropriate spot rates as of the balance sheet date. Generally, the Company's foreign subsidiaries use the local currency as their functional currency. Changes in the carrying value of these assets and liabilities attributable to fluctuations in spot rates are recognized in foreign currency translation adjustment, a component of accumulated other comprehensive income (loss) in the Company's Consolidated Balance Sheets.

The other comprehensive loss amounts presented in the Company's Consolidated Statements of Comprehensive Income (Loss) and Consolidated Statements of Stockholders' Equity mainly include the foreign currency translation adjustment resulting from translating the financial statements of certain subsidiaries from Euros to US Dollars, the Company's functional currency.

### Revenue Recognition

The Company generally has a single performance obligation in its arrangements with customers. The Company believes for most of its contracts with customers, control is transferred at a point in time, typically upon delivery to the customers. When the Company performs shipping and handling activities after the transfer of control to the customers (e.g., when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued for when the related revenue is recognized. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues. The Company generally expenses sales commissions when incurred because the amortization period would have been less than one year. The Company records these costs within selling, general and administrative expenses.

The following is a description of principal activities from which we generate revenue. Revenues from contracts with customers are recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services.:

- sales of biodiesel and renewable diesel produced at our facilities, including RINs and LCFS credits;
- resale of petroleum from third parties, along with the sale of petroleum-based products further blended with biodiesel produced at our wholly owned facilities or acquired from third parties;
- sales of raw materials, glycerin, and other co-products of the biomass-based diesel production process;
- other revenue, including biomass-based diesel facility management and operational services; and
- incentive payments from federal and state governments, including the BTC, and from the USDA Advanced Biofuel Program.

### Disaggregation of revenue:

All revenue recognized in the income statement, except for Biomass-based diesel Government Incentives, is considered to be revenue from contracts with customers. The following table depicts the disaggregation of revenue according to product line and segment:



Year ended December 31, 2019	Reportable Segments				
	Biomass-based Diesel	Services	Corporate and other	Intersegment Revenues	Consolidated Total
Biomass-based diesel sales, net of BTC related amount due to customers of \$157,896	\$ 1,400,973	\$ —	\$ —	\$ (11,309)	\$ 1,389,664
Petroleum and blended petroleum diesel sales	—	—	270,326	—	270,326
Other biomass-based diesel revenue	215,086	—	—	—	215,086
Separated RIN sales	98,285	—	—	—	98,285
Other revenues	—	99,086	—	(97,446)	1,640
<b>Total revenues from contracts with customers</b>	<b>\$ 1,714,344</b>	<b>\$ 99,086</b>	<b>\$ 270,326</b>	<b>\$ (108,755)</b>	<b>\$ 1,975,001</b>
Biomass-based diesel government incentives	666,392	—	—	—	666,392
<b>Total revenues</b>	<b>\$ 2,380,736</b>	<b>\$ 99,086</b>	<b>\$ 270,326</b>	<b>\$ (108,755)</b>	<b>\$ 2,641,393</b>

Year ended December 31, 2018	Reportable Segments				
	Biomass-based Diesel	Services	Corporate and other	Intersegment Revenues	Consolidated Total
Biomass-based diesel sales, net of BTC related amount due to customers of \$144,944	\$ 1,474,459	\$ —	\$ 9,682	\$ (26,348)	\$ 1,457,793
Petroleum and blended petroleum diesel sales	—	—	239,470	—	239,470
Other biomass-based diesel revenue	178,053	—	—	—	178,053
Separated RIN sales	137,895	—	—	—	137,895
Other revenues	—	93,347	—	(91,061)	2,286
<b>Total revenues from contracts with customers</b>	<b>\$ 1,790,407</b>	<b>\$ 93,347</b>	<b>\$ 249,152</b>	<b>\$ (117,409)</b>	<b>\$ 2,015,497</b>
Biomass-based diesel government incentives	367,490	—	—	—	367,490
<b>Total revenues</b>	<b>\$ 2,157,897</b>	<b>\$ 93,347</b>	<b>\$ 249,152</b>	<b>\$ (117,409)</b>	<b>\$ 2,382,987</b>

#### Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers:

	December 31, 2019	December 31, 2018
Trade accounts receivable	\$ 185,156	\$ 74,551
Short-term contract liabilities (deferred revenue)	\$ (631)	\$ (300)
Short-term contract liabilities (accounts payable)	\$ (255,193)	\$ —

The Company receives payments from customers based upon contractual billing schedules; accounts receivables are recorded when the right to consideration becomes unconditional. Contract liabilities include payments received in advance of

performance under the contract, and are realized with the associated revenue recognized under the contract. While in general the Company has not historically offered sales incentives to customers, the uncertainty around the reinstatement of the federal biodiesel tax credit led to the Company and other market participants acting as if the federal biodiesel tax credit would be reinstated throughout the year and entering into agreements with both customers and vendors throughout the year to capture the credit when, or if, reinstated. Due to the federal biodiesel tax credit reinstatement, the impacts of the agreements with customers are recorded as contract liabilities in accounts payable and as adjustments to Biomass-based diesel sales, whereas agreements with vendors are recorded net as adjustments to Biomass-based diesel costs of goods sold on the Consolidated Statements of Operations.

Significant changes to the contract liabilities during the year are as follows:

	January 1, 2019	Cash receipts (Payments)	Less: Impact on Revenue	Other	December 31, 2019
Deferred revenue	\$ 300	\$ 55,477	\$ 55,146	\$ —	\$ 631
Payables to customers related to BTC	—	—	(255,193)	—	255,193
	<u>\$ 300</u>	<u>\$ 55,477</u>	<u>\$ (200,047)</u>	<u>\$ —</u>	<u>\$ 255,824</u>

	January 1, 2018	Cash receipts (Payments)	Less: Impact on Revenue	Other	December 31, 2018
Deferred revenue	\$ 2,218	\$ 27,264	\$ 29,179	\$ (3)	\$ 300
Payables to customers related to BTC	—	(150,776)	(144,944)	5,832	—
	<u>\$ 2,218</u>	<u>\$ (123,512)</u>	<u>\$ (115,765)</u>	<u>\$ 5,829</u>	<u>\$ 300</u>

#### Freight

Amounts billed to customers for freight are included in biomass-based diesel sales. Costs incurred for freight are included in costs of goods sold.

#### Advertising Costs

Advertising costs are charged to expense as they are incurred. Advertising and promotional expenses were \$2,795, \$1,989 and \$2,140 for the years ended December 31, 2019, 2018 and 2017, respectively.

#### Employee Benefits Plan

The Company sponsors an employee savings plan under Section 401(k) of the Internal Revenue Code. The Company makes matching contributions equal to 50% of the participant's pre-tax contribution up to a maximum of 6% of the participant's eligible earnings. Total expense related to the Company's defined contribution plan was \$1,815, \$1,588 and \$1,367 for the years ended December 31, 2019, 2018 and 2017, respectively.

#### Stock-Based Compensation

Stock-based compensation expense is measured at the grant-date fair value of the awards and recognized as compensation expense over the vesting period.

#### Income Taxes

The Company's income tax provision, deferred income tax assets and liabilities, and liabilities for unrecognized tax benefits represent the Company's best estimate of current and future income taxes to be paid. The annual effective tax rate is based on income tax laws, statutory tax rates, taxable income levels and tax planning opportunities available in various jurisdictions where the Company operates. These tax laws are complex and require significant judgment to determine the consolidated provision for income taxes. Changes in tax laws, statutory tax rates and estimates of the Company's future taxable income levels could result in actual realization of deferred taxes being materially different from amounts provided for in the consolidated financial statements.

The indefinite reinvestment in the earnings of non-US subsidiaries assertion is determined by management's judgment about and intentions concerning future investment in operations. As of December 31, 2019, the Company is not indefinitely reinvested in the earnings of non-US subsidiaries.

### **Discontinued Operations**

Income (loss) from discontinued operations was mainly related to the research and development activities of REG Life Sciences, the Company's industrial biotechnology business, which had been classified as assets held for sale following the Company's decision to pursue a sale of this business in the fourth quarter of 2018. In May 2019, the sale of REG Life Sciences core assets and business was closed. During the year ended December 31, 2019, the Company continued to incur costs that primarily relate to certain pre-existing contractual agreements and legal and professional fees related to the disposition and wind-down of operations. See "Note 6 - Discontinued Operations" for further details.

### **Concentrations**

The Company maintains cash balances at financial institutions, which may at times exceed the \$250 coverage by the U.S. Federal Deposit Insurance Company. The Company has experienced no losses in such accounts.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenues and expenses during the reporting periods. These estimates are based on information that is currently available to management and on various assumptions that the Company believes to be reasonable under the circumstances. Actual results could differ from those estimates.

### **New Accounting Pronouncements**

On February 25, 2016, the FASB issued ASU 2016-02, which introduces a lessee model that brings most leases on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in ASC 606, the FASB's new revenue recognition standard (e.g., those related to evaluating when profit can be recognized). Furthermore, the ASU addresses other concerns related to the current leases model.

On July 19, 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which addresses certain aspects of the new leases standard, including the rate implicit in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments, among other things. On July 31, 2018, the FASB issued ASU 2018-11, *Codification Improvements to Topic 842, Leases*, which provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption.

The Company adopted all of the ASU's related to ASC 842 effective January 1, 2019. The Company applied a modified retrospective transition approach. The Company did not elect the practical expedient (1) to reassess the lease classification for any expired or existing leases; (2) to reassess whether any expired or existing contracts are or contain leases and (3) to reassess initial direct costs. The Company elected the hindsight practical expedient to determine the reasonably certain lease term for existing leases and to assess the impairment of its right-of-use assets. While lease classification remained unchanged, hindsight resulted in generally shorter accounting lease terms and useful lives of the corresponding right of use assets. The hindsight analysis also resulted in an approximate negative impact on beginning retained earnings of \$6,516, related to the impairment of a right of use asset at the company's New Orleans facility. The Company elected the transitional practical expedient for existing or expired land easements, allowing the Company to elect not to assess whether those land easements are, or contain, leases in accordance with ASC 842. The Company also elected the practical expedient to adjust the carrying amount of the right-of-use assets for the unfavorable lease liability previously recognized on the balance sheet. Additionally, the Company made an accounting policy election that keeps leases with an initial term of 12 months or less off of the balance sheet and resulted in recognizing those lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term. Refer to "Note 14 -Leases" for further detail.

On August 28, 2017, the FASB issued ASU 2017-12, which amends the hedge accounting recognition and presentation requirements in ASC 815 to (1) improve the transparency and understandability of information conveyed to financial statement users about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with

those risk management activities and (2) reduce the complexity of and simplify the application of hedge accounting by preparers. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company believes that the ASU 2017-12 will allow more of its derivative contracts to qualify for hedge accounting elections. The Company adopted ASU 2017-12 effective January 1, 2019 and changes in fair value of derivatives continue to be recognized in current period earnings.

On November 7, 2018, the FASB issued ASU 2018-16, which permits entities to use the Overnight Index Swap ("OIS") Rate based on Secured Overnight Financing Rate ("SOFR") as an eligible benchmark interest rate during the early stages of the transition from LIBOR to SOFR. For public business entities, the amendments in ASU 2018-16 are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company's adoption of ASU 2018-16 did not have a material impact on its consolidated financial statements.

On June 16, 2016, the FASB issued ASU 2016-13, which amends the Board's guidance on the impairment of financial instruments. The ASU adds to U.S. GAAP an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. For public companies, the ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company has evaluated the impact of this guidance, and the adoption will not have a material impact on its consolidated financial statements.

On August 28, 2018, the FASB issued ASU 2018-13, which changes the fair value measurement disclosure requirements of ASC 820. ASU 2018-13 eliminates or modifies certain disclosure requirements of ASC 820 and requires new disclosures relating to changes in unrealized gains or losses included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the applicable reporting period. ASU 2018-13 also explicitly requires entities to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. The Company has evaluated the impact of this guidance on its consolidated financial statements and the adoption will not have a material impact on its consolidated financial statements.

On December 18, 2019, the FASB issued ASU 2019-12, which affects general principles within ASC 740, Income Taxes. The ASU removes the following exceptions: (1) incremental approach for intra-period tax allocation when there is a loss from continuing operations and income or a gain from other items, (2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, (3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and (4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The ASU also will make changes to franchise tax recognition, consideration of the tax basis recognition of goodwill related to acquisitions, specify tax allocation to subsidiaries, reflecting a change in tax law in the interim period annual effective tax rate computation in the period of enactment, and changes to the employee stock ownership plans and investments. For public business entities, the amendments in ASU 2019-12 are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is evaluating the impact of the guidance on its consolidated financial statements, but does not expect the impact to be significant.

### **NOTE 3—STOCKHOLDERS' EQUITY OF THE COMPANY**

#### **Common Stock**

The Company has authorized capital stock consisting of 450,000,000 shares, all with a par value of \$.0001 per share, which includes 300,000,000 shares of Common Stock, 140,000,000 shares of Common Stock A and 10,000,000 shares of Preferred Stock including 3,000,000 shares of Series B Preferred Stock.

Each holder of Common Stock is entitled to one vote for each share of Common Stock held on all matters submitted to a vote of stockholders. Subject to preferences that may apply to shares of previously outstanding Series A Preferred Stock and currently outstanding Series B Preferred Stock as outlined below, the holders of outstanding shares of Common Stock are entitled to receive dividends. After the payment of all preferential amounts required to the holders of Series B Preferred Stock, all of the remaining assets of the Company available for distribution shall be distributed ratably among the holders of Common Stock.

On March 1, 2019, the Company filed with the Secretary of State of the State of Delaware two Certificates of Retirement and Cancellation to eliminate all references to Class A Common Stock and Series B Preferred Stock in the Company's certificate of incorporation. All such authorized shares of Class A Common Stock and Series B Preferred Stock were previously issued but were no longer outstanding and were retired by the board of directors of the Company.

**NOTE 4 — MARKETABLE SECURITIES**

The Company's investments in marketable securities are stated at fair value and are available-for-sale. For the year ended December 31, 2019, the Company had no investments in marketable securities. The following table summarizes the Company's investments in marketable securities for the year ended December 31, 2018:

	Maturity	December 31, 2018			
		Gross Amortized Cost	Total Unrealized Gains	Total Unrealized Losses	Fair Value
Commercial paper	Within one year	\$ 22,886	\$ —	\$ (14)	\$ 22,872
Corporate bonds	Within one year	28,074	—	(14)	28,060
Total		<u>\$ 50,960</u>	<u>\$ —</u>	<u>\$ (28)</u>	<u>\$ 50,932</u>

**NOTE 5—INVENTORIES**

Inventories consist of the following at December 31:

	2019	2018
Raw materials	\$ 57,818	\$ 40,348
Work in process	3,605	3,840
Finished goods	100,006	124,712
Total	<u>\$ 161,429</u>	<u>\$ 168,900</u>

**NOTE 6—DISCONTINUED OPERATIONS**

In the fourth quarter of 2018, the Company's Board of Directors authorized it to pursue a plan to sell the REG Life Sciences core assets and business. The Company recorded an impairment loss, net of tax, of \$11,226 on classifying the REG Life Sciences assets as held for sale reflecting the fair value of the estimated proceeds from the sale, net of costs to sell. This valuation technique is considered as Level 3 pricing category.

In May 2019, the sale of REG Life Sciences core assets and business was closed. The Company recorded a loss, net of tax, on sale of assets of \$1,250. There is no income tax impact from discontinued operations for all periods due to the impact of valuation allowance.

**Loss on Discontinued Operations:**

	Discontinued Operations		
	For the years ended December 31,		
	2019	2018	2017
Other revenues	\$ 1,786	\$ 5,856	\$ 3,588
Other costs of goods sold	(2,200)	(4,697)	(4,360)
Research and development expense	(8,056)	(15,152)	(11,673)
Other income (expense), net	53	13,907	(355)
Loss on sale of assets	(1,250)	—	—
Pre-tax loss from discontinued operations	(9,667)	(86)	(12,800)
Pre-tax impairment loss on assets classified as held for sale	—	(11,226)	—
Income tax expense	—	—	—
Loss on discontinued operations	<u>\$ (9,667)</u>	<u>\$ (11,312)</u>	<u>\$ (12,800)</u>

**Reconciliation of the Carrying Amounts of Major Classes of Assets and Liabilities Included in Assets and Liabilities Held for Sale:**

	2019	2018
Machinery and equipment, net	\$ —	\$ 824
In-process research and development	—	13,652
Impairment loss recognized on assets classified as held for sale	—	(11,226)
Total assets classified as held for sale	<u>\$ —</u>	<u>\$ 3,250</u>

#### NOTE 7—PROPERTY, PLANT AND EQUIPMENT

Company's owned property, plant and equipment consists of the following at December 31:

	2019	2018
Land	\$ 10,037	\$ 10,649
Building and improvements	152,336	148,055
Leasehold improvements	11,692	11,364
Machinery and equipment	586,327	584,490
	<u>760,392</u>	<u>754,558</u>
Accumulated depreciation	(238,427)	(205,537)
	<u>521,965</u>	<u>549,021</u>
Construction in process	62,612	41,702
Total	<u>\$ 584,577</u>	<u>\$ 590,723</u>

During 2019, the Company recorded impairment charges of \$11,145 related to its New Boston biorefinery facility's property, plant and equipment assets. Refer to Note 2 for further details.

#### NOTE 8—INTANGIBLE ASSETS

Amortizing intangible assets consist of the following at December 31:

	December 31, 2019		
	Cost	Accumulated Amortization	Net
Raw material supply agreement	\$ 6,230	\$ (3,368)	\$ 2,862
Renewable diesel technology	8,300	(3,089)	5,211
Acquired customer relationships	4,747	(1,535)	3,212
Other intangible assets	904	(171)	733
Total intangible assets	<u>\$ 20,181</u>	<u>\$ (8,163)</u>	<u>\$ 12,018</u>

	December 31, 2018		
	Cost	Accumulated Amortization	Net
Raw material supply agreement	\$ 6,230	\$ (2,866)	\$ 3,364
Renewable diesel technology	8,300	(2,536)	5,764
Acquired customer relationships	4,747	(976)	3,771
Other intangible assets	904	(157)	747
Total intangible assets	<u>\$ 20,181</u>	<u>\$ (6,535)</u>	<u>\$ 13,646</u>

The raw material supply agreement acquired is amortized over its 15 year term based on actual usage under the agreement and expires in 2025. The Company determined the estimated amount of raw materials to be purchased over the life of the agreement to calculate a per pound rate of consumption. The rate is then multiplied by the actual usage each period for expense reporting purposes.

Amortization expense of \$1,628, \$1,317 and \$1,280 for intangible assets was recorded for the years ended December 31, 2019, 2018 and 2017, respectively.

Estimated amortization expense for fiscal years ended December 31 is as follows:

2020	\$	1,682
2021		1,688
2022		1,681
2023		1,688
2024		1,695
Thereafter		3,584
Total	\$	<u>12,018</u>

**NOTE 9—OTHER ASSETS**

Prepaid expenses and other current assets consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Commodity derivatives and related collateral, net	\$ 6,140	\$ 13,799
Prepaid expenses	16,082	19,328
Deposits	3,519	2,123
RIN inventory	2,137	2,000
Taxes receivable	5,115	2,991
Other	2,480	928
Total	<u>\$ 35,473</u>	<u>\$ 41,169</u>

RIN inventory is valued at the lower of cost or net realizable value and consists of (i) RINs the Company generates in connection with its production of biomass-based diesel and (ii) RINs acquired from third parties. RINs generated by the Company are recorded at no cost, as these RINs are government incentives and not a tangible output from its biomass-based diesel production. The cost of RINs acquired from third parties is determined using the average cost method. RIN market value is based upon pricing as reported by the OPIS. Since RINs generated by the Company have zero cost associated to them, the lower of cost or market adjustment in RIN inventory reflects only the value of RINs obtained from third parties. RIN inventory values were adjusted in the amount of \$0 and \$630 at December 31, 2019 and 2018, respectively, to reflect the lower of cost or market.

Other noncurrent assets consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Investments	\$ 19,205	\$ 13,053
Spare parts inventory	2,610	2,680
Catalysts	1,274	1,989
Deposits	552	381
Other	2,874	3,167
Total	<u>\$ 26,515</u>	<u>\$ 21,270</u>

**NOTE 10—ACCRUED EXPENSES AND OTHER LIABILITIES**

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

	<b>2019</b>	<b>2018</b>
Accrued property taxes	\$ 1,717	\$ 1,534
Accrued employee compensation	21,315	17,226
Accrued interest	1,708	383
Contingent consideration, current portion	—	9,861
Unfavorable lease obligation, current portion	—	1,129
Tax payable	15,240	4,473
Other	796	650
<b>Total</b>	<b>\$ 40,776</b>	<b>\$ 35,256</b>

Other noncurrent liabilities consist of the following at December 31:

	<b>2019</b>	<b>2018</b>
Unfavorable lease obligation	\$ —	\$ 2,259
Straight-line lease liability	—	1,439
Asset retirement obligations	691	640
Other	814	996
<b>Total</b>	<b>\$ 1,505</b>	<b>\$ 5,334</b>

Certain prior year amounts have been adjusted for consistency with the current year presentation.

**NOTE 11—DEBT****Term debt**

The Company's term debt at December 31 is as follows:

	<b>2019</b>	<b>2018</b>
2.75% Convertible Senior Notes, matured and paid in June 2019	\$ —	\$ 66,361
4.00% Convertible Senior Notes, \$89,627 face amount, due in June 2036	69,668	75,477
REG Danville term loan, secured, variable interest rate of LIBOR plus 4%, due in July 2022	6,468	8,964
REG Ralston term loan, variable interest rate of LIBOR plus 2.25%, due in October 2025	15,980	18,948
REG Grays Harbor term loan, variable interest of minimum 3.5% or Prime Rate plus 0.25%, due in May 2022	6,966	8,828
REG Capital term loan, fixed interest rate of 3.99%, due in January 2028	6,929	7,185
Other	33	54
Total debt before debt issuance costs	106,044	185,817
Less: Current portion of long-term debt	77,131	149,006
Less: Debt issuance costs (net of accumulated amortization of \$1,139 and \$3,873, respectively)	2,783	3,390
<b>Total long-term debt</b>	<b>\$ 26,130</b>	<b>\$ 33,421</b>

**2019 Convertible Senior Notes**

In June 2014, the Company issued \$143,800 in convertible senior notes with a maturity date of June 15, 2019, unless earlier converted or repurchased. The 2019 Convertible Senior Notes bore interest at a rate of 2.75% per annum, payable semi-annually in arrears, beginning December 15, 2014. The initial conversion rate was 75.3963 shares of Common Stock per \$1,000 principal amount of 2019 Convertible Senior Notes, which represented an initial conversion price of approximately \$13.26 per share.



On June 15, 2019, the 2019 Convertible Senior Notes matured. The Company paid \$67,380 in cash to settle the outstanding principal amount and issued 1,902,781 treasury shares at an average share price of \$9.87 to settle the conversion value that was in excess of the principal.

In connection with the issuance of the 2019 Convertible Senior Notes, the Company entered into capped call transactions in private transactions. Under the Capped Call, the Company purchased capped call options that in aggregate relate to 92.5% of the total number of shares of the Company's Common Stock underlying the 2019 Convertible Senior Notes, with a strike price equal to the conversion price of the 2019 Convertible Senior Notes and with a cap price equal to \$16.02 per share. As part of the settlement of the 2019 Convertible Senior Notes, the Company settled all related capped call options in June 2019 and received 625,558 shares of common stock. The impact of this transaction, net of tax, was reflected as an addition to Additional Paid-in Capital as presented in the Consolidated Statements of Stockholders' Equity.

### **2036 Convertible Senior Notes**

On June 2, 2016, the Company issued \$152,000 aggregate principal amount of the 2036 Convertible Senior Notes in a private offering to qualified institutional buyers. The 2036 Convertible Senior Notes bear interest at a rate of 4.00% per year payable semi-annually in arrears on June 15 and December 15 of each year, beginning December 15, 2016. The notes will mature on June 15, 2036, unless repurchased, redeemed or converted in accordance with their terms prior to such date.

Prior to December 15, 2035, the 2036 Convertible Senior Notes will be convertible only upon satisfaction of certain conditions and during certain periods as stipulated in the indenture. On or after December 15, 2035 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the 2036 Convertible Senior Notes may convert their notes at any time. The 2036 Convertible Senior Notes may be settled in cash, the Company's common shares or a combination of cash and the Company's common shares, at the Company's election. The Company may not redeem the 2036 Convertible Senior Notes prior to June 15, 2021. Holders of the 2036 Convertible Senior Notes will have the right to require the Company to repurchase for cash all or some of their notes at 100% of their principal, plus any accrued and unpaid interest on each of June 15, 2021, June 15, 2026 and June 15, 2031. Holders of the 2036 Convertible Senior Notes will have the right to require the Company to repurchase for cash all or some of their notes at 100% of their principal, plus any accrued and unpaid interest upon the occurrence of certain fundamental changes. The initial conversion rate is 92.8074 common shares per \$1,000 (one thousand) principal amount of 2036 Convertible Senior Notes (equivalent to an initial conversion price of approximately \$10.78 per common share).

In addition, the 2036 Convertible Senior Notes will become convertible in the subsequent quarter if the closing price of the Company's common stock exceeds \$14.01, 130% of the Convertible Senior Notes' initial conversion price, for at least 20 trading days during the 30 consecutive trading days prior to each quarter-end date. If the 2036 Convertible Senior Notes becomes convertible and should the holders elect to convert, the Company's current intent and policy is to settle the principal amount the 2036 Convertible Senior Notes in cash, with the remaining value satisfied at the Company's option in cash, stock or a combination of cash and stock. As of December 31, 2019 and 2018, the early conversion event was met based on the Company's stock price and as a result, the 2036 Convertible Senior Notes have been classified as a current liability on the Company's Consolidated Balance Sheets at December 31, 2019.

The net proceeds from the offering of the 2036 Convertible Senior Notes were approximately \$147,118, after deducting fees and offering expenses of \$4,882, which was capitalized as debt issuance costs and is being amortized through June 2036. The debt discount is to be amortized through June 2036. The effective interest rate on the debt liability component was 1.53%.

### **REG Ralston**

In April 2017, REG Ralston, LLC ("REG Ralston") entered into a construction loan agreement ("Construction Loan Agreement") with First Midwest Bank. The Construction Loan Agreement allowed REG Ralston to borrow up to \$20,000 during the construction period at REG Ralston. On October 19, 2018, REG Ralston entered into an amended loan agreement with First Midwest bank to convert the Construction Loan Agreement into a term loan ("Ralston Term Loan") for a principal amount of \$19,177, due on October 19, 2025. The Ralston Term Loan will bear floating interest using a LIBOR rate plus 2.25% per annum. The loan agreement contains various loan covenants. At December 31, 2019, the effective interest rate on the amount borrowed under this Loan Agreement was 3.96% per annum.

### **REG Danville**

In July 2017, REG Danville, LLC ("REG Danville") entered into an amended loan agreement ("Loan Agreement") with Fifth Third Bank. The Loan Agreement allowed REG Danville to borrow \$12,500 maturing in July 2022. The loan requires

monthly principal payments and bears LIBOR-based variable interest rates. The loan agreement contains various loan covenants. As of December 31, 2019, the effective interest rate on the amount borrowed under this Loan Agreement was 5.75% per annum.

### REG Capital

In December 2017, REG Capital, LLC ("REG Capital") entered into a mortgage refinancing loan agreement ("Mortgage Refinancing Loan Agreement") with First National Bank to refinance existing mortgages on our office buildings in Ames, IA. The outstanding principal under the Mortgage Refinancing Loan Agreement is \$7.4 million with a maturity date of January 3, 2028. The loan requires monthly principal payments and bears a fixed interest rate of 8.99% per annum.

### Lines of Credit

The following table shows the Company's lines of credit:

	2019	2018
Total revolving loans (current)	\$ 76,990	\$ 14,250
Maximum remaining available to be borrowed under revolving lines of credit	\$ 101,485	\$ 114,889

The Company's wholly-owned subsidiaries, REG Services Group, LLC and REG Marketing & Logistics Group, LLC, are borrowers under a Credit Agreement dated December 23, 2011 with the lenders party thereto ("Lenders") and Wells Fargo Capital Finance, LLC, as the agent, (as amended, the "M&L and Services Revolver"). Prior to an amendment in November 2019, the maximum commitment of the Lenders under the M&L and Services Revolver to make revolving loans was \$150,000. Following this amendment, the maximum commitment was increased to \$200,000 through April 30, 2020, subject to borrowing base limitations and further subject to an accordion feature, which allows the borrowers to request commitments for additional revolving loans in aggregate amount not to exceed to \$50,000, the making of which are subject to customary conditions, including the consent of Lenders providing such additional commitments. After April 30, 2020, the maximum commitment of the Lenders under the M&L Services Revolver will automatically decrease to \$150,000.

The maturity date of the M&L and Services Revolver is September 30, 2021. Loans advanced under the M&L and Services Revolver bear interest based on a one-month LIBOR rate (which shall not be less than zero), plus a margin based on Quarterly Average Excess Availability (as defined in the Revolving Credit Agreement), which may range from 1.75% per annum to 2.25% per annum.

The M&L and Services Revolver contains various loan covenants that restrict each subsidiary borrower's ability to take certain actions, including restrictions on incurrence of indebtedness, creation of liens, mergers or consolidations, dispositions of assets, repurchase or redemption of capital stock, making certain investments, making distributions to the Company unless certain conditions are satisfied, entering into certain transactions with affiliates or changing the nature of the subsidiary's business. In addition, the subsidiary borrowers are required to maintain a fixed charge coverage ratio of at least 1.0 to 1.0 if excess availability under the M&L and Services Revolver is less than 10% of the total \$200,000 of current revolving loan commitments, or \$20,000 currently. The M&L and Services Revolver is secured by the subsidiary borrowers' membership interests and substantially all of their assets. In addition, the M&L and Services Revolver is secured by the accounts receivable and inventory of REG Albert Lea, LLC, REG Houston, LLC, REG New Boston, LLC, REG Geismar, LLC and REG Seneca, LLC (collectively, the "Plant Loan Parties") subject to a \$40,000 limitation with respect to each of the Plant Loan Parties.

On March 3, 2020 the M&L and Services Revolver was amended to allow the borrowing base related to the BTC to increase from \$50,000 to \$75,000. The amendment also allows the fixed charge coverage ratio testing threshold to be reduced from 10% to 5% until April 30, 2020.

Maturities of the term debt, including the convertible notes, are as follows for the years ending December 31:

2020	\$	77,131
2021		7,560
2022		5,989
2023		3,875
2024		3,476
Thereafter		8,013
Total term debt		106,044
Less: current portion		77,131
Total long-term debt before debt issuance costs	\$	<u>28,913</u>

In January 2020, REG Danville and REG Grays Harbor, LLC ("REG Grays Harbor") paid off the outstanding balance of the debt that each company held at December 31, 2019.

#### NOTE 12—INCOME TAXES

On December 22, 2017, President Donald Trump signed into law "H.R. 1", formerly known as the "Tax Cuts and Jobs Act" (the "Tax Legislation"). The Tax Legislation, which was effective on January 1, 2018, significantly revises the U.S. tax code by, among other things, lowering the corporate income tax rate from 35% to 21%, limiting deductibility of interest expense, implementing a hybrid-territorial tax system imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries, and enacted additional international tax provisions, including a minimum tax on global intangible low-taxed income and a new base erosion anti-abuse tax. The Company recorded a provisional non-cash tax benefit of \$13,712 in the fourth quarter of 2017. The Company finalized its accounting for the transition tax during the quarter ended March 31, 2018 and has incorporated the impact of the other Tax Legislation provisions effective for 2018 and beyond within the financial statements.

Income tax benefit (expense) related to continuing operations for the years ended December 31 is as follows:

	2019	2018	2017
Current income tax benefit (expense)			
State	\$ (12)	\$ (118)	\$ (45)
Foreign	(33)	(292)	421
	(45)	(410)	376
Deferred income tax benefit (expense)			
Federal	(8,302)	(12,878)	22,619
State	1,838	(2,851)	10,282
Foreign	1,494	2,914	2,674
Change in enacted tax rates	—	—	(123,289)
Net operating loss carryforwards created	68,344	26,058	17,466
	63,374	13,243	(70,248)
Income tax benefit (expense) before valuation allowances	63,329	12,833	(69,872)
Deferred tax valuation allowances	(62,759)	(18,704)	100,362
Income tax benefit (expense)	\$ 570	\$ (5,871)	\$ 30,490

A reconciliation of the reported amount of income tax expense to the amount computed by applying the statutory federal income tax rate to earnings before income taxes from continuing operations is as follows:

	2019	2018	2017
U.S. Federal income tax expense at statutory rates of 21, 21 and 35 percent, respectively	\$ (81,724)	\$ (62,619)	\$ 38,349
State taxes, net of federal income tax benefit	12,342	1,618	8,160
Tax position on government incentives	127,950	72,244	9,402
Change in enacted tax rates	—	—	(123,289)
Research & development tax credit	2,703	—	—
Unrecognized tax benefits	(24)	(272)	—
Other	2,082	1,862	(2,494)
Total benefit (expense) for income taxes before valuation allowances	63,329	12,833	(69,872)
Valuation allowances	(62,759)	(18,704)	100,362
Total benefit (expense) for income taxes	\$ 570	\$ (5,871)	\$ 30,490

The Company receives government incentive payments and excludes this revenue from federal and state taxable income. This tax position of excluding government incentives from taxable income has been accepted by the Internal Revenue Service for the audit cycle 2010-2011, the results of which were approved by the Joint Committee on Taxation. As a result of excluding these government incentive payments, the Company currently has cumulative losses in recent years and initially established a valuation allowance to reduce its total deferred tax assets to the amount more-likely-than-not to be realized.

The tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities at December 31 are as follows:

	2019	2018
<b>Deferred Tax Assets:</b>		
Net operating loss carryforwards	\$ 348,734	\$ 278,867
Goodwill	17,028	20,067
Capitalized research and development	—	8,650
Stock-based compensation	3,805	3,447
Interest expense carryforward	4,877	2,940
Tax credit carryforwards	4,330	1,597
Leases	11,364	—
Intangibles	1,530	—
Risk management unrealized loss	131	—
Accrued compensation	4,285	3,318
Inventory capitalization	2,442	1,921
Other	4,589	3,133
Deferred tax assets	403,115	323,940
<b>Deferred Tax Liabilities:</b>		
Property, plant and equipment	(41,769)	(38,324)
Leases	(9,459)	—
Convertible debt	(5,213)	(5,648)
Risk management unrealized gain	—	(2,649)
Intangibles	—	949
Prepaid expenses	(2,106)	(1,688)
Deferred revenue	—	(583)
Other	(1,086)	(773)
Deferred tax liabilities	(59,633)	(48,716)
Net deferred tax assets	343,482	275,224
Valuation allowance	(350,457)	(283,634)
Net deferred tax liabilities	\$ (6,975)	\$ (8,410)

At December 31, 2019, the Company has recorded a net deferred tax asset before valuation allowance of \$348,734 related to the benefit of federal, state and foreign net operating loss carry-forwards. Federal net operating loss carry-forward totals \$1,295,712 and will begin to expire in 2028, while the amount and expiration dates of state net operating losses vary by jurisdiction. Changes in ownership of the Company, as defined by Section 382 of the Internal Revenue Code of 1986, as amended, in any one year may limit the utilization of federal and state net operating losses and credit carry-forwards. The Company has performed an ownership change analysis in 2018 to determine the impact of changes in ownership on utilization of carry-forward attributes, the results of which have been incorporated into our financial statements.

In evaluating available evidence around the recoverability of net deferred tax assets, the Company considers, among other factors, historical financial performance, expectation of future earnings, length of statutory carry-forward periods and ability to carry back losses to prior periods, experience with operating loss and tax credit carry-forwards expiring unused, tax planning strategies and timing for the reversals of temporary differences. In evaluating losses, management considers the nature, frequency and severity of losses in light of the conditions giving rise to those losses. As a result of the above described tax position of excluding government incentive payments from taxable income, the Company currently has cumulative losses in recent years and has established a valuation allowance to reduce its total deferred tax assets to the amount more-likely-than-not to be realized. Activity regarding the valuation allowance for deferred tax assets was as follows:

	2019	2018	2017
Beginning of year balance	\$ 283,634	\$ 265,362	\$ 365,035
Changes in valuation allowance charged to income	65,284	18,704	36,639
Change in enacted tax rates	—	—	(137,001)
Foreign currency translation	(164)	(440)	689
Change in valuation allowance charged to OCI	(7)	8	—
Change in valuation allowance charged to equity	1,710	—	—
End of year balance	<u>\$ 350,457</u>	<u>\$ 283,634</u>	<u>\$ 265,362</u>

The Company analyzes filing positions in all of the federal, state and foreign jurisdictions where it is required to file income tax returns, and all open tax years in these jurisdictions to determine if it has any uncertain tax positions on any of its income tax returns. An uncertain tax position represents a tax position taken in a filed tax return or planned to be taken in a tax return not yet filed, that has not been reflected in measuring income tax expense for financial reporting purposes. The Company does not recognize income tax benefits associated with uncertain tax positions where it is determined that it is not more-likely-than-not, based on the technical merits, that the position will be sustained upon examination.

A reconciliation of the total amounts of unrecognized tax benefits at December 31 is as follows:

	2019	2018	2017
Beginning of year balance	\$ 2,028	\$ 1,771	\$ 1,900
Increases to tax positions expected to be taken	732	—	—
Increases to tax positions taken during prior years	24	272	—
Decreases to tax positions taken during prior years	—	—	(129)
Foreign currency translation	(7)	(15)	—
End of year balance	<u>\$ 2,777</u>	<u>\$ 2,028</u>	<u>\$ 1,771</u>

The Company recorded an unrecognized tax benefit liability associated with a filing position for a prior year foreign tax return. The amount of unrecognized tax benefits that would affect the effective tax rate if the tax benefits were recognized was \$274 at December 31, 2019, \$257 at December 31, 2018, and \$0 at December 31, 2017. The remaining liability for unrecognized tax benefits is related to tax positions for which there is a related deferred tax asset. The Company does not believe it is reasonably possible that the amounts of unrecognized tax benefits existing as of December 31, 2019 will significantly increase or decrease over the next twelve months. Interest and penalties related to unrecognized tax benefits are recognized as a component of income tax expense. The Company has not recorded any such amounts in the periods presented.

The Company is subject to tax in the U.S. and various state and foreign jurisdictions. The U.S. Internal Revenue Service has examined the Company's federal income tax returns through 2008, as well as 2010 and 2011, while the tax authorities in Germany have examined the Company's corporate income tax returns through 2014. All other years in the U.S. and Germany are subject to examination, while various state and other foreign income tax returns also remain subject to examination by taxing authorities.

Although not considered indefinitely reinvested, the Company has not made a provision for U.S. or additional foreign withholding taxes due to provisional accumulated tax deficits outside the U.S. The Company has not recorded a deferred tax asset for the outside basis difference related to investments in its foreign subsidiaries as the investment is essentially permanent in duration.

#### NOTE 13—STOCK-BASED COMPENSATION

On October 26, 2011, the stockholders approved the 2009 Stock Incentive Plan ("the 2009 Plan") which authorizes up to 4,160,000 shares of Company Common Stock to be issued for the award of restricted stock, restricted stock units ("RSUs"), performance restricted stock units ("PRSUs") and stock appreciation rights ("SARs") at the discretion of the Company Board as compensation to employees, consultants of the Company and to non-employee directors. Under the 2009 Plan, an additional 2,350,000 shares, or 6,510,000 shares in total, are reserved for issuance as approved by shareholders on May 15, 2014 and May 8, 2017. The expense is measured at the grant-date fair value of the award and recognized as compensation expense on a straight-line basis over the service period, which is the vesting period. There was no cash flow impact resulting from the grants of these awards. The 2009 Plan is generally protected from anti-dilution via adjustments for any stock dividends, stock split, combination or other recapitalization.

The Company recorded stock-based compensation expense of \$6,707, \$6,412 and \$6,909 for the years ended December 31, 2019, 2018 and 2017, respectively. The stock-based compensation costs were included as a component of selling, general and administrative expenses. At December 31, 2019, there was \$7,902 of unrecognized compensation expense related to unvested awards, which is expected to be recognized over a period of approximately 3.1 years.

#### Restricted Stock Units

The following table summarizes information about the Company's Common Stock RSU's granted, vested, exercised and forfeited:

	Number of Awards	Weighted Average Issue Price
Awards outstanding - January 1, 2017	859,251	\$ 11.73
Issued	360,741	\$ 11.91
Vested and restriction lapsed	(204,198)	\$ 11.05
Forfeited	(127,403)	\$ 10.04
Awards outstanding - December 31, 2017	888,391	\$ 12.12
Issued	425,150	\$ 13.23
Vested and restriction lapsed	(225,339)	\$ 10.52
Forfeited	(65,928)	\$ 10.52
Awards outstanding - December 31, 2018	1,022,274	\$ 13.04
Issued	277,711	\$ 21.76
Vested and restriction lapsed	(425,041)	\$ 9.79
Forfeited	(89,779)	\$ 11.85
Awards outstanding - December 31, 2019	785,165	\$ 18.02

The RSUs convert into one share of common stock upon vesting. RSU's issued prior to 2019 cliff vest at the earlier of expressly provided service or performance conditions. The 2019 RSU grants vest one third on each of the three anniversary dates following the grant date. The service period for these RSU awards, excluding those issued to the Company's Board of Directors (one year) and certain executive management (three to four years), is a three year period from the grant date. The performance conditions provide for accelerated vesting upon various conditions including a change in control or other common stock liquidity events.

#### Performance Restricted Stock Units

The following table summarizes information about the Company's Common Stock PRSU's granted, vested, exercised and forfeited:

	Number of Awards	Weighted Average Issue Price
Awards outstanding - January 1, 2017	234,840	\$ 9.15
Issued	270,765	\$ 11.79
Vested and restriction lapsed	(87,622)	\$ 11.75
Forfeited	(62,865)	\$ 9.48
Awards outstanding - December 31, 2017	355,118	\$ 10.46
Issued	171,580	\$ 9.63
Vested and restriction lapsed	(292,963)	\$ 8.45
Forfeited	(25,650)	\$ 9.83
Awards outstanding - December 31, 2018	208,085	\$ 12.68
Issued	148,118	\$ 19.31
Vested and restriction lapsed	(25,000)	\$ 9.17
Forfeited	(8,739)	\$ 12.90
Awards outstanding - December 31, 2019	322,464	\$ 15.99

The PRSUs convert into one share of common stock upon vesting. PRSUs vest in different tranches upon meeting certain performance conditions, which are generally based on the Company's stock price performance or return on invested capital and expressly provided service. These PRSUs are fair valued at grant date based on Monte Carlo simulations or at a percentage of the stock price at grant date. The derived service period for these PRSU awards as a result of the Monte Carlo simulation, is an approximately two year period from the grant date. The performance conditions provide for accelerated vesting upon various conditions including a change in control or other common stock liquidity events.

#### Stock Appreciation Rights

The following table summarizes information about SARs granted, forfeited, vested and exercisable:

	Number of SAR's	Weighted Average Exercise Price	Weighted Average Contractual Term
SAR's outstanding - January 1, 2017	2,508,015	\$ 10.22	
Granted	—	\$ —	
Exercised	(700,765)	\$ 10.36	
Forfeited	(105,981)	\$ 9.66	
SAR's outstanding - December 31, 2017	1,701,269	\$ 10.20	5.7 years
Granted	—	\$ —	
Exercised	(610,541)	\$ 10.13	
Forfeited	(54,051)	\$ 11.08	
SAR's outstanding - December 31, 2018	1,036,677	\$ 10.19	4.7 years
Granted	—	\$ —	
Exercised	(85,652)	\$ 10.54	
Forfeited	(50,723)	\$ 10.82	
SAR's outstanding - December 31, 2019	900,302	\$ 10.12	3.8 years
SAR's exercisable - December 31, 2019	879,494	\$ 10.16	3.8 years
SAR's expected to vest - December 31, 2019	20,808	\$ 8.57	3.8 years

The SARs vest 25% annually on each of the four anniversary dates following the grant date and expire after ten years. The fair value of each SAR grant is estimated using the Black-Scholes option-pricing model as set forth in the table below:

	2019	2018	2017
The weighted average fair value of stock appreciation rights issued (per unit)	\$2.79 - \$3.74	\$2.79 - \$3.74	\$2.79 - \$3.74
Dividend yield	—%	—%	—%
Weighted average risk-free interest rate	1.1% - 1.4%	1.1% - 1.4%	1.1% - 1.4%
Weighted average expected volatility	40%	40%	40%
Expected life in years	6.25	6.25	6.25

#### NOTE 14—LEASES

The Company leases land, property and equipment under certain operating leases. The Company's leases consist primarily of access to distribution terminals, biomass-based diesel and feedstock storage tanks, railcars and vehicles. The Company determines at the inception of a lease whether an arrangement that provides the Company control over the use of an asset is a lease. The Company recognizes at lease commencement a right-of-use ("ROU") asset and lease liability based on the present value of the future lease payments over the lease term. As discussed in Note 2, the Company has elected not to recognize a ROU asset and lease liability for leases with terms of 12 months or less. At the end of the lease term the Company, generally, has the option to (a) return the leased equipment to the lessor, (b) purchase the property at its then fair value or (c) renew its lease at the fair rental value on a year-to-year basis or for an agreed upon term. When it is reasonably certain that the Company will exercise the option, the impact of the option is included in the lease term for purposes of determining total future lease payments. As most of its lease agreements do not explicitly state the discount rate implicit in the lease, the Company uses its incremental borrowing rate on the commencement date to calculate the present value of future payments.

The Company's leases commonly include payments that are based on the Consumer Price Index ("CPI") or other similar indices. If the indices are known at inception of the leases, they are included in the calculation of the ROU asset and lease liability. Other variable lease payments, such as usage-based amounts or when the indices are not known at inception, are excluded from the ROU asset and lease liability, and are expensed as incurred.

In addition to the base rent, office equipment leases typically contain provisions for maintenance services, which are considered non-lease components for accounting purposes. For these leases, non-lease components are excluded from our ROU assets and lease liabilities and expensed as incurred. For all other types of leases, we apply a practical expedient to include these non-lease components in calculating the ROU asset and lease liability.

The following table summarizes information about the Company's lease expense for the year ended December 31, 2019:

	December 31, 2019
Lease expense:	
Operating lease expenses	\$ 22,590
Variable lease expenses	1,237
Short-term and other lease expenses	1,305
Total lease expense	<u>\$ 25,132</u>

The weighted-average remaining lease term for the Company's operating leases is 5.83 years at December 31, 2019. The weighted-average discount rate for the Company's operating leases is 4.67% as of December 31, 2019.

For each of the next five calendar years and thereafter, future minimum lease payments and scheduled maturities under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:



	Total payments		Less: Discount		Operating lease obligation
2020	\$ 17,252	\$	1,562	\$	15,690
2021	13,953		1,089		12,864
2022	4,667		719		3,948
2023	3,525		573		2,952
2024	2,082		475		1,607
2025 and thereafter	11,608		2,566		9,042
<b>Total</b>	<b>\$ 53,087</b>	<b>\$</b>	<b>6,984</b>	<b>\$</b>	<b>46,103</b>

As the Company has not restated prior-year information for its adoption of ASC Topic 842, the following presents the Company's future minimum lease payments for operating leases under ASC Topic 840 at December 31, 2018:

	Total Payments
2019	\$ 20,326
2020	14,063
2021	10,643
2022	3,162
2023	2,406
2024 and thereafter	13,736
<b>Total minimum payments</b>	<b>\$ 64,336</b>

#### NOTE 15 — DERIVATIVE INSTRUMENTS

The Company enters into New York Mercantile Exchange NY Harbor ULSD ("NY Harbor ULSD" or previously referred to as heating oil), CBOT Soybean Oil (previously referred to as soybean oil) and New York Mercantile Exchange Natural Gas futures, swaps and options ("commodity contract derivatives") to reduce the risk of price volatility related to anticipated purchases of feedstock raw materials and to protect cash margins from potentially adverse effects of price volatility on biomass-based diesel sales where prices are set at a future date. All of the Company's commodity contract derivatives are not hedge accounting designated derivatives and recorded at fair value on the Consolidated Balance Sheets. Unrealized gains and losses are recognized as a component of biomass-based diesel costs of goods sold reflected in current results of operations. At December 31, 2019, the net notional volumes of NY Harbor ULSD, CBOT Soybean Oil and NYMEX Natural Gas covered under the open commodity derivative contracts were approximately 54.6 million gallons and 120.4 million pounds and 2.1 million million British thermal units, respectively.

The Company offsets the fair value amounts recognized for its commodity contract derivatives with cash collateral with the same counterparty under a master netting agreement. The net position is presented within Prepaid and other assets in the Consolidated Balance Sheets, see "Note 9 – Other Assets". As of December 31, 2019, the Company posted \$9,256 of collateral associated with its commodity-based derivatives with a net liability position of \$3,116.

The following table sets forth the fair value of the Company's commodity contract derivatives and amounts that offset within the Consolidated Balance Sheets:

	December 31, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Gross amounts of commodity derivative contracts recognized at fair value	\$ 1,633	\$ 4,749	\$ 11,843	\$ 1,799
Cash collateral	9,256	—	3,755	—
Total gross amount recognized	10,889	4,749	15,598	1,799
Gross amounts offset	(4,749)	(4,749)	(1,799)	(1,799)
Net amount reported in the Consolidated Balance Sheets	\$ 6,140	\$ —	\$ 13,799	\$ —

The following table sets forth the commodity contract derivatives gains and (losses) included in the Consolidated Statements of Operations:

	Location of Gain (Loss) Recognized in income	2019	2018	2017
Commodity derivatives	Cost of goods sold – Biomass-based diesel	\$ (28,898)	\$ 18,399	\$ (23,437)

#### NOTE 16—FAIR VALUE MEASUREMENT

The fair value hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1—Quoted prices for identical instruments in active markets.
- Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.
- Level 3—Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A summary of assets (liabilities) measured at fair value, excluding assets held for sale, is as follows:

	As of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Commodity contract derivatives	\$ (3,116)	\$ (84)	\$ (3,032)	\$ —

	As of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Commercial paper	\$ 22,872	\$ —	\$ 22,872	\$ —
Corporate bonds	\$ 28,060	—	28,060	—
Commodity contract derivatives	\$ 10,044	499	9,545	—
Contingent consideration for acquisitions	\$ (9,861)	—	—	(9,861)
	\$ 51,115	\$ 499	\$ 60,477	\$ (9,861)

The following is a reconciliation of the beginning and ending balances for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<b>Contingent Consideration for Acquisitions</b>	
	<b>2019</b>	<b>2018</b>
Balance at beginning of period, January 1	\$ 9,861	\$ 20,485
Fair value of contingent consideration at measurement date	—	482
Change in estimates included in earnings	566	1,117
Settlements	(10,427)	(12,223)
Balance at end of period, December 31	\$ —	\$ 9,861

The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values. Money market funds are included in cash and cash equivalents on the Consolidated Balance Sheets.

The Company used the following methods and assumptions to estimate fair value of its financial instruments:

*Marketable securities:* The fair value of marketable securities, which include commercial papers and corporate notes/bonds is obtained using quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active and inputs other than quoted prices, e.g., interest rates and yield curves.

*Commodity derivatives:* The instruments held by the Company consist primarily of futures contracts, swap agreements, purchased put options and written call options. The fair value of contracts based on quoted prices of identical assets in an active exchange-traded market is reflected in Level 1. Contract fair value is determined based on quoted prices of similar contracts in over-the-counter markets and are reflected in Level 2.

*Contingent consideration for acquisitions:* The fair value of contingent consideration is determined using an expected present value technique. Expected cash flows are determined using the probability weighted-average of possible outcomes that would occur should the achievement of certain milestones related to the production and/or sale of biomass-based diesel at the specific production facility. A discount rate ranging from 5.8% to 12.5% is used to estimate the fair value of the expected payments.

*Debt and lines of credit:* The fair value of long-term debt and lines of credit was established using discounted cash flow calculations and current market rates reflecting Level 2 inputs.

The estimated fair values of the Company's financial instruments, which are not recorded at fair value are as follows as of December 31:

	<b>2019</b>		<b>2018</b>	
	<b>Asset (Liability) Carrying Amount</b>	<b>Estimated Fair Value</b>	<b>Asset (Liability) Carrying Amount</b>	<b>Estimated Fair Value</b>
<b>Financial Liabilities:</b>				
Debt and lines of credit	\$ (183,034)	\$ (338,482)	\$ (200,067)	\$ (410,564)

#### NOTE 17—NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is presented in conformity with the two-class method required for participating securities. Participating securities include restricted stock units.

Under the two-class method, net income is reduced for distributed and undistributed dividends earned in the current period. The remaining earnings are then allocated to Common Stock and the participating securities. The Company calculates the effects of participating securities on diluted earnings per share (EPS) using both the "if-converted or treasury stock" and "two-class" methods and discloses the method which results in a more dilutive effect. The effects of Common Stock options, warrants, stock appreciation rights and convertible notes on diluted EPS are calculated using the treasury stock method unless the effects are anti-dilutive to EPS.

For the 2036 Convertible Senior Notes, the Company's current intent is to settle conversions using cash for the principal amount of convertible senior notes converted, with the remaining value satisfied at the Company's option in cash, stock or a combination of cash and stock. For the 2019 Convertible Senior Notes, the Company has elected to settle the principal amount of convertible notes converted with cash and any conversion value in excess of that amount in shares of the Company's common stock. Therefore, the dilutive effect of the convertible senior notes is limited to the conversion premium.

The following potentially dilutive weighted average securities were excluded from the calculation of diluted net income (loss) per share attributable to common stockholders during the periods presented, as the effect was anti-dilutive:

	Year Ended December 31,		
	2019	2018	2017
Stock appreciation rights	—	—	622,633
2019 Convertible Senior Notes	—	—	5,567,112
2036 Convertible Senior Notes	—	—	14,106,725
Total	—	—	20,296,470

The following table presents the calculation of diluted net income (loss) from continuing operations per share:

	2019	2018	2017
Net income (loss) from continuing operations available to common stockholders - Basic	\$ 381,112	\$ 295,804	\$ (66,279)
Plus (less): effect of participating securities	8,619	7,824	—
Net income (loss) available to common stockholders	389,731	303,628	(66,279)
Less: effect of participating securities	(8,619)	(7,824)	—
Net income (loss) from continuing operations available to common stockholders - Diluted	\$ 381,112	\$ 295,804	\$ (66,279)
Net loss from discontinued operations available to common stockholders - Basic	\$ (9,667)	\$ (11,312)	\$ (12,800)
Plus (less): effect of participating securities	—	—	—
Net loss available to common stockholders	(9,667)	(11,312)	(12,800)
Less: effect of participating securities	—	—	—
Net loss from discontinued operations available to common stockholders - Diluted	\$ (9,667)	\$ (11,312)	\$ (12,800)
Net income (loss) available to common stockholders - Basic	\$ 371,659	\$ 284,783	\$ (79,079)
Plus (less): effect of participating securities	8,405	7,533	—
Net income (loss) available to common stockholders	380,064	292,316	(79,079)
Less: effect of participating securities	(8,405)	(7,533)	—
Net income (loss) available to common stockholders - Diluted	\$ 371,659	\$ 284,783	\$ (79,079)
Net income (loss) available to common stockholders - Diluted			
Weighted-average shares used to compute basic net income (loss) per share	38,288,610	37,687,552	38,731,015
Adjustment to reflect conversion of convertible notes	3,589,065	5,416,043	—
Adjustment to reflect stock appreciation right conversions	443,305	550,125	—
Weighted-average shares used to compute diluted net income (loss) per share	42,320,980	43,653,720	38,731,015
Net income (loss) per share available to common stockholders - Diluted			
Continuing operations	\$ 9.01	\$ 6.78	\$ (1.71)
Discontinued operations	\$ (0.25)	\$ (0.30)	\$ (0.33)
Diluted net income (loss)	\$ 8.78	\$ 6.52	\$ (2.04)

#### NOTE 18—REPORTABLE SEGMENTS AND GEOGRAPHIC INFORMATION

The Company reports its reportable segments based on products and services provided to customers. The Company re-assesses its reportable segment on an annual basis. The Company's reportable segments generally align the Company's external

financial reporting segments with its internal operating segments, which are based on its internal organizational structure, operating decisions and performance assessment. In the fourth quarter of 2018, the Company's Board of Directors authorized it to pursue a plan to sell REG Life Sciences, which primarily represented the Renewable Chemicals reportable segment. This has resulted in the Company's reportable segments being Biomass-based diesel, Services and Corporate and other activities. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. All prior period disclosures below have been recast to present results on a comparable basis.

The Biomass-based diesel segment processes waste vegetable oils, animal fats, virgin vegetable oils and other feedstocks into biomass-based diesel. The Biomass-based Diesel segment also includes the Company's purchases and resale of biomass-based diesel produced by third parties. Revenue is derived from the purchases and sales of biomass-based diesel, RINs and raw material feedstocks acquired from third parties, sales of biomass-based diesel produced under toll manufacturing arrangements with third party facilities, sales of processed biomass-based diesel from Company facilities, related by-products and renewable energy government incentive payments, in the U.S. and internationally.

The Services segment offers services for managing the construction of biomass-based diesel production facilities and managing ongoing operations of third-party plants and collects fees related to the services provided. The Company does not allocate items that are of a non-operating nature or corporate expenses to the business segments. Revenues from services provided to other segments are recorded by the Services segment at cost.

The Corporate and Other segment includes trading activities related to petroleum-based heating oil and diesel fuel, the operations of a fermentation facility located in Okeechobee, Florida as well as corporate activities, which consist of corporate office expenses such as compensation, benefits, occupancy and other administrative costs, including management service expenses. Corporate and other also includes income/(expense) not associated with the reportable segments, such as corporate general and administrative expenses, shared service expenses, interest expense and interest income, all reflected on an accrual basis of accounting. In addition, Corporate and Other includes cash and other assets not associated with the reportable segments, including investments. Intersegment revenues are reported by the Services and Corporate and Other segments.

The following table represents the significant items by reportable segment:

	2019	2018	2017
<b>Net sales from continuing operations:</b>			
Biomass-based Diesel	\$ 2,380,736	\$ 2,157,897	\$ 2,039,982
Services	99,086	93,347	103,215
Corporate and other	270,326	249,152	213,500
Intersegment revenues	(108,755)	(117,409)	(202,042)
	<u>\$ 2,641,393</u>	<u>\$ 2,382,987</u>	<u>\$ 2,154,655</u>
<b>Income (loss) from continuing operations before income taxes</b>			
Biomass-based diesel	\$ 388,484	\$ 314,727	\$ (63,925)
Services	6,092	4,863	2,899
Corporate and other	(5,415)	(10,091)	(35,743)
	<u>\$ 389,161</u>	<u>\$ 309,499</u>	<u>\$ (96,769)</u>
<b>Depreciation and amortization expense, net:</b>			
Biomass-based diesel	\$ 54,513	\$ 32,558	\$ 31,011
Services	2,479	1,658	1,092
Corporate and other	1,763	3,026	3,265
	<u>\$ 58,755</u>	<u>\$ 37,242</u>	<u>\$ 35,368</u>
<b>Cash paid for purchases of property, plant and equipment:</b>			
Biomass-based diesel	\$ 40,567	\$ 41,906	\$ 60,734
Services	1,840	4,300	3,826
Corporate and other	111	247	2,997
	<u>\$ 42,518</u>	<u>\$ 46,453</u>	<u>\$ 67,557</u>

	2019	2018
<b>Goodwill:</b>		
Services	\$ 16,080	\$ 16,080
<b>Assets:</b>		
Biomass-based diesel	\$ 1,711,870	\$ 914,843
Services	69,144	63,720
Corporate and other	425,602	379,658
Intersegment eliminations	(421,267)	(254,375)
Assets held for sale	—	3,250
	<u>\$ 1,785,349</u>	<u>\$ 1,107,096</u>

Geographic Information:

The following geographic data include net sales attributed to the countries based on the location of the subsidiaries making the sale and long-lived assets based on physical location. Long-lived assets represent the net book value of property, plant and equipment.

	2019	2018	2017
<b>Revenues:</b>			
United States	\$ 2,382,901	\$ 2,207,286	\$ 1,957,715
International	258,492	175,701	196,940
	<u>\$ 2,641,393</u>	<u>\$ 2,382,987</u>	<u>\$ 2,154,655</u>

	2019	2018
<b>Property, Plant and Equipment:</b>		
United States	\$ 562,165	\$ 571,045
International	22,412	19,678
	<u>\$ 584,577</u>	<u>\$ 590,723</u>

**NOTE 19—COMMITMENTS AND CONTINGENCIES**

The Company is involved in legal proceedings in the normal course of business. The Company currently believes that any ultimate liability arising out of such proceedings will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company has entered into contracts for supplies of hydrogen, nitrogen and utilities for the REG Geismar production facility. The following table outlines the minimum take or pay requirement related to the purchase of hydrogen, nitrogen, and utilities.

2020	\$	3,298
2021		2,976
2022		2,976
2023		2,976
2024		863
Total	<u>\$</u>	<u>13,089</u>

As of December 31, 2019, REG Geismar relies on one supplier to provide hydrogen necessary to execute the production process. Any disruptions to the hydrogen supply during production from this supplier will result in the shutdown of the REG Geismar plant operations. The Company is currently seeking additional hydrogen suppliers for the REG Geismar facility.

**NOTE 20—SUBSEQUENT EVENTS**

In February 2020, the Company's Board of Directors approved a repurchase program of up to \$100,000 of the Company's convertible notes and/or shares of common stock. Under this program, the Company may repurchase convertible notes or shares from time to time in open market transactions, privately negotiated transactions or by other means. The timing and amount of repurchase transactions under each program are determined by the Company's management based on its evaluation of market conditions, share price, bond price, legal requirements and other factors.

**NOTE 21—SUPPLEMENTAL QUARTERLY INFORMATION (UNAUDITED)**

The following table represents the significant items for the results of operations on a quarterly basis for the years ended December 31, 2019 and 2018:

	<b>Three Months Ended March 31, 2019</b>	<b>Three Months Ended June 30, 2019</b>	<b>Three Months Ended September 30, 2019</b>	<b>Three Months Ended December 31, 2019</b>
Revenues from continuing operations	\$ 478,209	\$ 560,643	\$ 584,372	\$ 1,018,169
Gross profit (loss) from continuing operations	(12,792)	(26,772)	24,076	545,557
Selling, general, and administrative expenses including research and development expense	25,354	27,041	24,762	41,052
Impairment of property, plant and equipment	—	468	11,145	595
Income (loss) from operations	(38,146)	(54,281)	(11,831)	503,910
Other expense, net	(3,671)	(3,444)	(2,551)	(825)
Net income (loss) from continuing operations	(41,387)	(57,635)	(13,753)	502,506
Net income (loss) from discontinued operations	(2,017)	(4,462)	(2,193)	(995)
<b>Net income</b>	<b>\$ (43,404)</b>	<b>\$ (62,097)</b>	<b>\$ (15,946)</b>	<b>\$ 501,511</b>
<b>Net income (loss) from continuing operations available to common stockholders</b>	<b>\$ (41,387)</b>	<b>\$ (57,635)</b>	<b>\$ (13,753)</b>	<b>\$ 492,556</b>
<b>Net income (loss) from discontinued operations available to common stockholders</b>	<b>\$ (2,017)</b>	<b>\$ (4,462)</b>	<b>\$ (2,193)</b>	<b>\$ (995)</b>
Basic net income (loss) per share available to common stockholders:				
Continuing operations	\$ (1.11)	\$ (1.52)	\$ (0.35)	\$ 12.64
Discontinued operations	\$ (0.05)	\$ (0.12)	\$ (0.06)	\$ (0.03)
Net income (loss) per share	\$ (1.16)	\$ (1.64)	\$ (0.41)	\$ 12.62
Diluted net income (loss) per share available to common stockholders:				
Continuing operations	\$ (1.11)	\$ (1.52)	\$ (0.35)	\$ 11.52
Discontinued operations	\$ (0.05)	\$ (0.12)	\$ (0.06)	\$ (0.03)
Net income (loss)	\$ (1.16)	\$ (1.64)	\$ (0.41)	\$ 11.50

	Three Months Ended March 31, 2018	Three Months Ended June 30, 2018	Three Months Ended September 30, 2018	Three Months Ended December 31, 2018
Revenues from continuing operations	\$ 688,002	\$ 578,900	\$ 596,324	\$ 519,761
Gross profit loss from continuing operations	249,455	57,514	51,159	61,863
Selling, general, and administrative expenses including research and development expense	32,688	24,539	21,933	27,579
Impairment of property, plant and equipment	—	—	—	879
Income from operations	216,767	32,975	29,226	33,405
Other income (expense), net	(128)	(96)	(2,900)	250
Net income from continuing operations	217,844	29,042	25,472	31,270
Net income (loss) from discontinued operations	(3,455)	4,808	(469)	(12,196)
<b>Net income</b>	<b>\$ 214,389</b>	<b>\$ 33,850</b>	<b>\$ 25,003</b>	<b>\$ 19,074</b>
<b>Net income from continuing operations available to common stockholders</b>	<b>\$ 212,608</b>	<b>\$ 28,277</b>	<b>\$ 24,799</b>	<b>\$ 30,448</b>
<b>Net income (loss) from discontinued operations available to common stockholders</b>	<b>\$ (3,455)</b>	<b>\$ 4,681</b>	<b>\$ (469)</b>	<b>\$ (12,197)</b>
Basic net income (loss) per share available to common stockholders:				
Continuing operations	\$ 5.48	\$ 0.76	\$ 0.67	\$ 0.82
Discontinued operations	\$ (0.09)	\$ 0.13	\$ (0.01)	\$ (0.33)
Net income per share	\$ 5.39	\$ 0.88	\$ 0.65	\$ 0.50
Diluted net income (loss) per share available to common stockholders:				
Continuing operations	\$ 5.38	\$ 0.67	\$ 0.55	\$ 0.66
Discontinued operations	\$ (0.09)	\$ 0.11	\$ (0.01)	\$ (0.33)
Net income per share	\$ 5.30	\$ 0.78	\$ 0.53	\$ 0.40

The results for the three months ended September 30, 2019 reflect an impairment related to the Company's New Boston facility's property, plant and equipment assets resulting from the closing of the plant. Refer to Note 2 for further details. The results for the three months ended December 31, 2019 reflect the full recognition in revenue the effect of the retroactive reinstatement of the 2018 and 2019 BTC. The net benefit of the BTC was \$260,850 and \$238,564 related to the business conducted in 2019 and 2018, respectively. The results for the three months ended March 31, 2018 reflected the full recognition of the effect of the 2017 BTC retroactive reinstatement of \$206,521.

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

None.

**ITEM 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company's reports we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, under the supervision of and with the participation of the CEO and CFO performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15-d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report, December 31, 2019. In connection with our evaluation of disclosure controls and procedures, we have concluded that our disclosure controls and procedures are effective as of December 31, 2019.



**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2019. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP has audited our internal control over financial reporting as of December 31, 2019 and has issued an attestation report regarding its assessment included herein.

**Changes in Internal Control over Financial Reporting**

There have been no changes during our quarter ended December 31, 2019 in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. Other  
Information**

None.

**PART III**

**ITEM 10. Directors, Executive Officers and Corporate Governance**

This Item is incorporated by reference to our definitive proxy statement on Schedule 14A, which will be filed within 120 days after the close of the fiscal year covered by this report on Form 10-K, or if our proxy statement is not filed by that date, will be included in an amendment to this Report on Form 10-K.

**ITEM 11. Executive Compensation**

This Item is incorporated by reference to our definitive proxy statement on Schedule 14A, which will be filed within 120 days after the close of the fiscal year covered by this report on Form 10-K, or if our proxy statement is not filed by that date, will be included in an amendment to this Report on Form 10-K.

**ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table provides certain information as of December 31, 2019, with respect to our equity compensation plans:

<u>PLAN CATEGORY</u>	<u>NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS</u>	<u>NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS</u>
Equity compensation plans approved by stockholders	2,007,931 <sup>1</sup>	\$ 10.12 <sup>2</sup>	1,827,396
Equity compensation plans not approved by stockholders	—	—	—
<b>Total</b>	<b>2,007,931</b>	<b>\$ 10.12</b>	<b>1,827,396</b>

1 Includes 785,165 shares underlying outstanding restricted stock units, 322,464 shares underlying outstanding performance restricted stock units, and 900,302 shares underlying outstanding stock appreciation rights.

2 Restricted stock units and performance restricted stock units do not have an exercise price and therefore have not been included in the calculation of weighted average exercise price.

The remainder of this Item is incorporated by reference to our definitive proxy statement on Schedule 14A, which will be filed within 120 days after the close of the fiscal year covered by this report on Form 10-K, or if our proxy statement is not filed by that date, will be included in an amendment to this Report on Form 10-K.

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

This Item is incorporated by reference to our definitive proxy statement on Schedule 14A, which will be filed within 120 days after the close of the fiscal year covered by this report on Form 10-K, or if our proxy statement is not filed by that date, will be included in an amendment to this Report on Form 10-K.

**ITEM 14. Principal Accounting Fees and Services**

This Item is incorporated by reference to our definitive proxy statement on Schedule 14A, which will be filed within 120 days after the close of the fiscal year covered by this report on Form 10-K, or if our proxy statement is not filed by that date, will be included in an amendment to this Report on Form 10-K.

**PART IV**

**ITEM 15. Exhibits, Financial Statement Schedules**

**(a) Financial Statements**

- (i) Consolidated Balance Sheets as of December 31, 2019 and 2018
- (ii) Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017
- (iii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019, 2018 and 2017
- (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019, 2018 and 2017
- (v) Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017
- (vi) Notes to the Consolidated Financial Statements for the years ended December 31, 2019, 2018 and 2017

**(b) Exhibits**

The Exhibits filed as part of this Annual Report on Form 10-K, or incorporated by reference, are listed on the Exhibit Index immediately preceding such Exhibits, which Exhibit Index is incorporated herein by reference.

**(c) Financial Statement Schedules**

All schedules are omitted because of the absence of the conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto.

**ITEM 16. Form 10-K Summary**

Not applicable.

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">Restated Certificate of Incorporation of Renewable Energy Group, Inc. (the "Company") (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed March 7, 2019).</a>
3.2	<a href="#">Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed September 12, 2013).</a>
4.1	<a href="#">Form of Common Stock Certificate of the Company (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A filed November 18, 2011) (File Number 333-175627).</a>
4.2	<a href="#">Indenture, dated as of June 3, 2014, between the Company and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed June 3, 2014).</a>
4.3	<a href="#">First Supplemental Indenture, dated as of June 3, 2014, between the Company and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated June 3, 2014).</a>
4.4	Form of Note (included in Exhibit 4.2).
4.5	<a href="#">Indenture dated as of June 2, 2016, between the Company and Wilmington Trust, National Association, as trustee (including form of Note) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 2, 2016).</a>
10.1	<a href="#">Amended and Restated 2009 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 10, 2017).*</a>
10.2	<a href="#">Renewable Energy Group Annual Incentive Plan for Executive Officers (incorporated by reference to Appendix A to the Company's Proxy Statement for the Annual Meeting of Stockholders of April 4, 2013, filed on April 4, 2013).*</a>
10.3	<a href="#">Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed March 14, 2016).*</a>
10.4	<a href="#">Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed May 3, 2019).*</a>

<u>Exhibit Number</u>	<u>Description</u>
10.5	<a href="#"><u>Form of Stock Appreciation Right Award Agreement (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K filed March 14, 2016).*</u></a>
10.6	<a href="#"><u>Form of Performance Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 7, 2016).*</u></a>
10.7	<a href="#"><u>Form of Performance Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed August 4, 2017).*</u></a>
10.8	<a href="#"><u>Form of Performance Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed May 4, 2018).*</u></a>
10.9	<a href="#"><u>Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed May 3, 2019).*</u></a>
10.10	<a href="#"><u>Employment Agreement, dated as of August 15, 2017, between the Company and Randolph L. Howard (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 18, 2017).*</u></a>
10.11	<a href="#"><u>Employment Agreement, dated as of September 29, 2017, between the Company and Brad Albin (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 5, 2017).*</u></a>
10.12	<a href="#"><u>Employment Agreement, dated as of September 29, 2017, between the Company and Chad Stone (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed October 5, 2017).*</u></a>
10.13	<a href="#"><u>Employment Agreement, dated as of June 11, 2018, between the Company and Gary Haer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 15, 2018).*</u></a>
10.14	<a href="#"><u>Employment Agreement, dated as of June 11, 2018, between the Company and Eric Bowen (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 15, 2018).*</u></a>
10.15	<a href="#"><u>Employment Agreement, dated as of November 30, 2018, between the Company and Cynthia J. Warner (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed March 7, 2019).*</u></a>
10.16	<a href="#"><u>Restricted Stock Unit Award Agreement, dated as of November 30, 2018, between the Company and Cynthia J. Warner (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed March 7, 2019).*</u></a>
10.17	<a href="#"><u>Form of Indemnification Agreement for Directors and Executive Officers (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K filed March 7, 2019).*</u></a>
10.18	<a href="#"><u>Amended and Restated Loan Agreement dated November 3, 2011 by and between REG Danville, LLC and Fifth Third Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 9, 2011) (File Number 000-54374).</u></a>
10.19	<a href="#"><u>Credit Agreement dated as of December 23, 2011 by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 29, 2011).</u></a>
10.20	<a href="#"><u>Amendment No. 1 to Credit Agreement, dated as of January 31, 2012, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed March 14, 2016).</u></a>
10.21	<a href="#"><u>Amendment No. 2 to Credit Agreement, dated as of February 29, 2012, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed March 14, 2016).</u></a>
10.22	<a href="#"><u>Amendment No. 3 to Credit Agreement, dated as of May 1, 2012, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed March 14, 2016).</u></a>

<u>Exhibit Number</u>	<u>Description</u>
10.23	<a href="#"><u>Amendment No. 4 to Credit Agreement, dated as of January 9, 2013, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed March 14, 2016).</u></a>
10.24	<a href="#"><u>Amendment No. 5 to Credit Agreement, dated as of August 9, 2013, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K filed March 14, 2016).</u></a>
10.25	<a href="#"><u>Consent and Amendment No. 6 to Credit Agreement, dated as of December 23, 2013, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed March 14, 2016).</u></a>
10.26	<a href="#"><u>Amendment No. 7 to Credit Agreement, dated as of May 19, 2014, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed March 14, 2016).</u></a>
10.27	<a href="#"><u>Amendment No. 8 to Credit Agreement, dated as of February 20, 2015, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K filed March 14, 2016).</u></a>
10.28	<a href="#"><u>Amendment No. 9 to Credit Agreement, dated as of July 16, 2015, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 22, 2015).</u></a>
10.29	<a href="#"><u>Amendment No. 10 to Credit Agreement, dated as of December 8, 2015, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC. (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed March 9, 2018).</u></a>
10.30	<a href="#"><u>Joinder and Amendment No. 11 to Credit Agreement, dated as of September 30, 2016, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, Fifth Third Bank, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 4, 2016).</u></a>
10.31	<a href="#"><u>Amendment No. 12 to Credit Agreement, dated as of December 22, 2017, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, REG Services Group, LLC and REG Marketing &amp; Logistics Group, LLC. (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K filed March 9, 2018).</u></a>
10.32	<a href="#"><u>Amendment No. 13 to Credit Agreement, dated as of July 9, 2019, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, Fifth Third Bank, REG Services Group, LLC and REG Marketing and Logistics Group, LLC. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 11, 2019).</u></a>
10.33	<a href="#"><u>Amendment No. 14 to Credit Agreement, dated as of November 4, 2019, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, Fifth Third Bank, REG Services Group, LLC and REG Marketing and Logistics Group, LLC. (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 6, 2019)</u></a>
10.34	<a href="#"><u>Amendment No. 15 to Credit Agreement, dated as of March 3, 2020, by and among the lenders identified on the signature pages thereto, Wells Fargo Capital Finance, LLC, Fifth Third Bank, REG Services Group, LLC and REG Marketing and Logistics Group, LLC.</u></a>
10.35	<a href="#"><u>General Continuing Guaranty dated as of December 23, 2011 in favor of Wells Fargo Capital Finance, LLC, as agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed December 29, 2011).</u></a>
10.36	<a href="#"><u>Capped Call Confirmation, dated May 29, 2014, between of Bank of America, N.A. and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 3, 2014).</u></a>

<u>Exhibit Number</u>	<u>Description</u>
10.37	<a href="#"><u>Capped Call Confirmation, dated May 29, 2014, between of Wells Fargo Bank, National Association, and the Company (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed June 3, 2014).</u></a>
10.38	<a href="#"><u>Additional Capped Call Confirmation, dated May 30, 2014, between of Bank of America, N.A. and the Company (incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K filed June 3, 2014).</u></a>
10.39	<a href="#"><u>Additional Capped Call Confirmation, dated May 30, 2014, between of Wells Fargo Bank, National Association, and the Company (incorporated by reference to Exhibit 10.4 to the Company’s Current Report on Form 8-K filed June 3, 2014).</u></a>
21.1	<a href="#"><u>List of Subsidiaries.</u></a>
23.1	<a href="#"><u>Consent of Deloitte &amp; Touche LLP, Independent Registered Public Accounting Firm.</u></a>
24.1	Power of Attorney (included in the signature page to this report).
31.1	<a href="#"><u>Certification of Cynthia J. Warner pursuant to Section 302 of the Sarbanes-Oxley of 2002.</u></a>
31.2	<a href="#"><u>Certification of Chad Stone pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Chief Executive Officer.</u></a>
32.2	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Financial Officer.</u></a>
	* Management contract or compensatory plan, contract or arrangement.
101.1	The following financial information of the Company and its subsidiaries for the fiscal year ended December 31, 2018, is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Stockholders' Equity; (iii) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not otherwise subject to liability under those sections.

**SIGNATURES**

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

RENEWABLE ENERGY GROUP, INC.

By: \_\_\_\_\_ /s/ Cynthia J. Warner

**Cynthia J. Warner**  
**President and Chief Executive Officer**

Date: March 6, 2020

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Chad Stone and Chad A. Baker, and each of them, his or her true and lawful attorneys-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

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

		<u>Date</u>
<u>/s/ Cynthia J. Warner</u> <b>Cynthia J. Warner</b>	President, Chief Executive Officer and Director (Principal Executive Officer)	March 6, 2020
<u>/s/ Chad Stone</u> <b>Chad Stone</b>	Chief Financial Officer (Principal Financial Officer)	March 6, 2020
<u>/s/ Todd M. Samuels</u> <b>Todd M. Samuels</b>	Chief Accounting Officer (Principal Accounting Officer)	March 6, 2020
<u>/s/ Jeffrey Stroburg</u> <b>Jeffrey Stroburg</b>	Director (Chairman)	March 6, 2020
<u>/s/ Randolph L. Howard</u> <b>Randolph L. Howard</b>	Director (Vice Chairman)	March 6, 2020
<u>/s/ Delbert Christensen</u> <b>Delbert Christensen</b>	Director	March 6, 2020
<u>/s/ Peter J.M.Harding</u> <b>Peter J. M. Harding</b>	Director	March 6, 2020
<u>/s/ Debora M. Frodl</u> <b>Debora M. Frodl</b>	Director	March 6, 2020
<u>/s/ Michael Scharf</u> <b>Michael Scharf</b>	Director	March 6, 2020
<u>/s/ Christopher Sorrells</u> <b>Christopher Sorrells</b>	Director	March 6, 2020
<u>/s/ James C. Borel</u> <b>James C. Borel</b>	Director	March 6, 2020

**AMENDMENT NO. 15 TO CREDIT AGREEMENT**

**THIS AMENDMENT NO. 15 TO CREDIT AGREEMENT** (this "Amendment") is entered into as of March 3, 2020, by and among the Lenders identified on the signature pages hereof (such Lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), **WELLS FARGO CAPITAL FINANCE, LLC**, a Delaware limited liability company, as administrative agent for the Lenders (in such capacity, "Agent"), **REG SERVICES GROUP, LLC**, an Iowa limited liability company ("REG Services"), and **REG MARKETING & LOGISTICS GROUP, LLC**, an Iowa limited liability company ("REG Marketing"); together REG Services and REG Marketing are each referred to herein as a "Borrower", and jointly and severally as the "Borrowers").

WHEREAS, Borrowers, Agent, and Lenders are parties to that certain Credit Agreement dated as of December 23, 2011, as amended by that certain Amendment No. 1 to Credit Agreement dated as of January 31, 2012, that certain Amendment No. 2 to Credit Agreement dated as of February 29, 2012, that certain Waiver and Amendment No. 3 to Credit Agreement dated as of May 1, 2012, that certain Amendment No. 4 to Credit Agreement dated as of January 9, 2013, that certain Amendment No. 5 to Credit Agreement dated as of August 9, 2013, that certain Amendment No. 6 to Credit Agreement dated as of December 23, 2013, that certain Amendment No. 7 to Credit Agreement dated as of May 19, 2014, that certain Amendment No. 8 to Credit Agreement and Waiver dated as of February 20, 2015, that certain Amendment No. 9 to Credit Agreement dated as of July 16, 2015, that certain Amendment No. 10 to Credit Agreement dated as of December 8, 2015, that certain Joinder and Amendment No. 11 to Credit Agreement dated as of September 30, 2016, that certain Amendment No. 12 to Credit Agreement dated as of December 22, 2017, that certain Amendment No. 13 to Credit Agreement dated as of July 9, 2019 and that certain Amendment No. 14 to Credit Agreement dated as of November 4, 2019 (as further amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, Borrowers, Agent and Lenders have agreed to amend the Credit Agreement in certain respects;

NOW THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Credit Agreement.

2. Amendments to Credit Agreement: Subject to the satisfaction of the conditions set forth in Section 5 below, and in reliance upon the representations and warranties of Borrowers set forth in Section 6 below, the Credit Agreement is hereby amended as follows:

---



(a) Schedule 1.1 to the Credit Agreement is hereby amended by amending and restating each of the following defined terms as follows:

"Covenant Testing Period" means a period (a) commencing on the last day of the fiscal month of Borrowers most recently ended on or prior to a Covenant Trigger Event and for which Agent has received financial statements required to be delivered pursuant to Schedule 5.1 and (b) ending on the first day after such Covenant Trigger Event that Excess Availability has equaled or exceeded (i) solely during the Specified 2019/2020 Period, 5% of the Maximum Revolver Amount for 30 consecutive days and (ii) at all times after the Specified 2019/2020 Period, 10% of the Maximum Revolver Amount for 30 consecutive days.

"Covenant Trigger Event" means (a) solely during the Specified 2019/2020 Period, any day on which Borrowers fail to maintain Excess Availability in an amount at least equal to 5% of the Maximum Revolver Amount and (b) at all times after the Specified 2019/2020 Period, (i) the third consecutive Business Day on which Borrowers fail to maintain Excess Availability in an amount at least equal to at all other times, 10% of the Maximum Revolver Amount or (ii) any day on which Borrowers fail to maintain Excess Availability in an amount at least equal to 7.5% of the Maximum Revolver Amount.

(b) Clause (a) of the definition of "Borrowing Base" set forth in Schedule 1.1 to the Credit Agreement is hereby amended and restated in its entirety as follows:

(a) the sum of (i) 85% of the amount of Eligible Billed Accounts, (ii) the lesser of \$15,000,000 and 85% of Eligible Blender's Credit Accounts, provided that, if a Blender's Tax Credit Event occurs during the Specified 2019/2020 Period, such amount under this clause (ii), solely during the Specified 2019/2020 Period, shall be the lesser of \$75,000,000 and 85% of Eligible Blender's Credit Accounts, and (iii) the lesser of \$10,000,000 and 85% of Eligible Unbilled Accounts, less (iv) the amount, if any, of the Dilution Reserve, plus

3. Continuing Effect. Except as expressly set forth in Section 2 of this Amendment, nothing in this Amendment shall constitute a modification or alteration of the terms, conditions or covenants of the Credit Agreement or any other Loan Document, or a waiver of any other terms or provisions thereof, and the Credit Agreement and the other Loan Documents shall remain unchanged and shall continue in full force and effect, in each case as amended hereby.

4. Reaffirmation and Confirmation. Each Borrower hereby ratifies, affirms, acknowledges and agrees that the Credit Agreement and the other Loan Documents represent the valid, enforceable and collectible obligations of Borrowers, and further acknowledges that there are no existing claims, defenses, personal or otherwise, or rights of setoff whatsoever with respect to the Credit Agreement or any other Loan Document. Each Borrower hereby agrees that this Amendment in no way acts as a release or relinquishment of the Liens and rights securing payments of the Obligations. The Liens and rights securing payment of the Obligations are hereby ratified and confirmed by each Borrower in all respects.

5. Conditions to Effectiveness.

- (a) This Amendment shall become effective upon the satisfaction of each of the following conditions precedent, each in form and substance acceptable to Agent:
- (i) Agent shall have received a fully executed copy of this Amendment in form and substance acceptable to Agent;
  - (ii) Borrowers shall have paid the Amendment Fee (as defined below) and all other fees to Agent and the Lenders required under the Loan Documents; and
  - (iii) No Default or Event of Default shall have occurred and be continuing on the date hereof or as of the date of the effectiveness of this Amendment.

6. Representations and Warranties. In order to induce Agent and Lenders to enter into this Amendment, Borrowers hereby jointly and severally represent and warrant to Agent and Lenders that, after giving effect to this Amendment:

- (a) All representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date of this Amendment, in each case as if then made, other than representations and warranties that expressly relate solely to an earlier date;
- (b) No Default or Event of Default has occurred and is continuing; and
- (c) This Amendment and the Credit Agreement, as modified hereby, constitute legal, valid and binding obligations of each Borrower and are enforceable against each Borrower in accordance with their respective terms.

7. Miscellaneous.

- (a) Amendment Fee. Borrowers shall pay to Agent, for the ratable account of Lenders with Revolver Commitments, a non-refundable amendment fee equal to \$7,500 (the "Amendment Fee") which shall be fully earned and payable on the date hereof.
- (b) Expenses. Borrowers jointly and severally agree to pay on demand all Lender Group Expenses of Agent (including, without limitation, the fees and expenses of outside counsel for Agent) in connection with the preparation, negotiation, execution, delivery and administration of this Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided herein shall survive any termination of this Amendment and the Credit Agreement as modified hereby.
- (c) Governing Law. This Amendment shall be a contract made under and governed by the internal laws of the State of California. The choice of law and venue, jury trial

waiver and California judicial reference provisions set forth in Section 12 of the Credit Agreement are incorporated herein by reference and shall apply in all respects to this Amendment.

(d) Counterparts. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. Delivery of an executed counterpart of this Amendment by facsimile or other electronic delivery shall be equally effective as delivery of an original executed counterpart of this Amendment.

8. Release.

(a) In consideration of the agreements of Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Borrower and each other Loan Party (by its execution and delivery of the attached Consent and Reaffirmation), on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and Lenders, and their successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which any such Loan Party or any of their respective successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever in relation to, or in any way in connection with any of the Credit Agreement, or any of the other Loan Documents or transactions thereunder or related thereto which arises at any time on or prior to the day and date of this Amendment.

(b) Each Borrower and each other Loan Party (by its execution and delivery of the attached Consent and Reaffirmation) warrants, represents and agrees that it is fully aware of California Civil Code Section 1542, which provides as follows:

**SEC. 1542. GENERAL RELEASE.** A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Each Borrower and each other Loan Party (by its execution and delivery of the attached Consent and Reaffirmation) hereby expressly waives the provisions of California Civil Code Section 1542, and any rights they may have to invoke the provisions of that statute now or in the future with respect to the Claims being released pursuant to this Section 8. In connection with the foregoing

waiver and relinquishment, each Borrower and each other Loan Party (by its execution and delivery of the attached Consent and Reaffirmation) acknowledges that they are aware that they or their attorneys or others may hereafter discover claims or facts in addition to or different from those which the parties now know or believe to exist with respect to the subject matter of the Claims being released hereunder, but that it is nevertheless the intention of each Borrower and each other Loan Party (by its execution and delivery of the attached Consent and Reaffirmation) to fully, finally and forever settle, release, waive and discharge all of the Claims which are being released pursuant to this Section 8. The release given herein shall remain in effect as a full and complete general release, notwithstanding the discovery or existence of any such additional or different claims or facts.

(c) Each Borrower and each other Loan Party (by its execution and delivery of the attached Consent and Reaffirmation) understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(d) Each Borrower and each other Loan Party (by its execution and delivery of the attached Consent and Reaffirmation) agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

*[Remainder of page intentionally left blank; signature pages follow.]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized and delivered as of the date first above written.

**REG SERVICES GROUP, LLC,**  
an Iowa limited liability company

By: /s/ Todd Robinson  
Name: Todd Robinson  
Title: Treasurer

**REG MARKETING & LOGISTICS GROUP, LLC,**  
an Iowa limited liability company

By: /s/ Todd Robinson  
Name: Todd Robinson  
Title: Treasurer

---

**WELLS FARGO CAPITAL FINANCE, LLC,**  
a Delaware limited liability company, as Agent and as a  
Lender

By: /s/ Barry Felker  
Name: Barry  
Felker  
Title: Authorized Signatory

---

**FIFTH THIRD BANK, NATIONAL ASSOCIATION,**  
as a Lender

By: /s/ Patrick Lingrosso  
Name: Patrick  
Lingrosso  
Title: Vice  
President

---

## CONSENT AND REAFFIRMATION

Renewable Energy Group, Inc., a Delaware corporation ("Parent"), as a Guarantor, REG Houston, LLC, a Texas limited liability company, as a Plant Loan Party, REG Geismar, LLC, a Delaware limited liability company, as a Plant Loan Party, REG Albert Lea, LLC, an Iowa limited liability company, as a Plant Loan Party, REG New Boston, LLC, an Iowa limited liability company, as a Plant Loan Party, and REG Seneca, LLC, an Iowa limited liability company, as a Plant Loan Party (each of the foregoing, a "Loan Party") hereby (i) acknowledges receipt of a copy of the foregoing Amendment No. 15 to Credit Agreement (terms defined therein and used, but not otherwise defined, herein shall have the meanings assigned to them therein); (ii) consents to each Borrower's execution and delivery thereof; (iii) agrees to be bound thereby, including Section 8 of the foregoing Amendment No. 15 to Credit Agreement; and (iv) affirms that nothing contained therein shall modify in any respect whatsoever any Loan Documents to which the undersigned is a party and reaffirms that each such Loan Document is and shall continue to remain in full force and effect (except as set forth in the foregoing Amendment No. 15 to Credit Agreement). Although each Loan Party has been informed of the matters set forth herein and has acknowledged and agreed to same, each Loan Party understands that Agent and Lenders have no obligation to inform such Loan Party of such matters in the future or to seek such Loan Party's acknowledgment or agreement to future consents, amendments or waivers, and nothing herein shall create such a duty.

*[Remainder of page intentionally left blank; signature pages follow.]*

---



**RENEWABLE ENERGY GROUP, INC.**,  
a Delaware corporation, as a Guarantor

By: /s/ Todd  
Robinson  
Name: Todd  
Robinson  
Title: Treasurer

**REG HOUSTON, LLC**, a Texas limited liability  
company, as a Plant Loan Party

By: /s/ Todd  
Robinson  
Name: Todd  
Robinson  
Title: Treasurer

**REG GEISMAR, LLC**, a Delaware limited liability  
company, as a Plant Loan Party

By: /s/ Todd  
Robinson  
Name: Todd  
Robinson  
Title: Treasurer

**REG ALBERT LEA, LLC**, an Iowa limited liability  
company, as a Plant Loan Party

By: /s/ Todd  
Robinson  
Name: Todd  
Robinson  
Title: Treasurer

**REG NEW BOSTON, LLC**, an Iowa limited liability  
company, as a Plant Loan Party

By: /s/ Todd  
Robinson  
Name: Todd  
Robinson  
Title: Treasurer

---

**REG SENECA, LLC**, an Iowa limited liability company,  
as a Plant Loan Party

By: /s/ Todd  
Robinson  
Name: Todd  
Robinson  
Title: Treasurer

RENEWABLE ENERGY GROUP, INC. SUBSIDIARIES

REG Biofuels, LLC	Iowa
REG Marketing & Logistics Group, LLC	Iowa
REG Services Group, LLC	Iowa
REG Capital, LLC	Iowa
REG Synthetic Fuels, LLC	Iowa
REG Life Sciences, LLC	Iowa
REG Canada Holdings Inc.	British Columbia
REG Construction & Technology Group, LLC	Iowa
REG Ventures, LLC	Iowa
REG Ralston, LLC	Iowa
REG Houston, LLC	Texas
REG Danville, LLC	Delaware
REG Albert Lea, LLC	Iowa
REG Newton, LLC	Iowa
REG Seneca, LLC	Iowa
REG New Orleans, LLC	Iowa
REG New Boston, LLC	Iowa
REG Mason City, LLC	Iowa
REG Emporia, LLC	Iowa
REG Clovis, LLC	Iowa
REG Atlanta, LLC	Iowa
REG Okeechobee, LLC	Iowa
REG Geismar, LLC	Delaware
REG Grays Harbor, LLC	Washington
REG Madison, LLC	Wisconsin
REG Bioproducts, LLC	Iowa
REG Feedstock, LLC	Iowa
REG Overseas Holdings B.V.	Netherlands
REG International Trading & Commodities B.V.	Netherlands
REG Germany GmbH	Germany

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-168374, 333-203763 and 333-220518 on Form S-8 of our report dated March 6, 2020, relating to the consolidated financial statements of Renewable Energy Group, Inc. and subsidiaries and the effectiveness of Renewable Energy Group, Inc. and subsidiaries' internal control over financial reporting appearing in this Annual Report on Form 10-K of Renewable Energy Group, Inc. for the year ended December 31, 2019.

/s/ DELOITTE & TOUCHE LLP  
Des Moines, Iowa  
March 6, 2020

I, Cynthia J. Warner, certify that:

1. I have reviewed this annual report on Form 10-K of Renewable Energy Group, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 6, 2020

/s/ Cynthia J. Warner

---

Cynthia J. Warner

Chief Executive Officer

I, Chad Stone, certify that:

1. I have reviewed this annual report on Form 10-K of Renewable Energy Group, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 6, 2020

/s/ Chad Stone

---

Chad Stone  
Chief Financial Officer

SECTION 1350 CERTIFICATIONS

I, Cynthia J. Warner, Chief Executive Officer of Renewable Energy Group, Inc. (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge the Annual Report on Form 10-K of the Company (the "Report"), which accompanies this Certificate, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 6, 2020

/s/ Cynthia J. Warner

---

Cynthia J. Warner  
Chief Executive Officer

SECTION 1350 CERTIFICATIONS

I, Chad Stone, Chief Financial Officer of Renewable Energy Group, Inc. (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge the Annual Report on Form 10-K of the Company (the "Report"), which accompanies this Certificate, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 6, 2020

/s/ Chad Stone

---

Chad Stone  
Chief Financial Officer