

RENEWABLE ENERGY GROUP, INC.

FORM 10-Q (Quarterly Report)

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Address	416 S. BELL AVENUE AMES, IA 50010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended June 30, 2017

OR

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

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)

416 South Bell Avenue, Ames, Iowa

(Address of principal executive offices)

26-4785427

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

50010

(Zip code)

(515) 239-8000

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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 Exchange Act). YES NO

As of July 31, 2017, the registrant had 38,689,478 shares of Common Stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL INFORMATION

RENEWABLE ENERGY GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands, except share and per share amounts)

	June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 87,591	\$ 116,210
Accounts receivable, net	66,920	164,949
Inventories	135,006	145,408
Prepaid expenses and other assets	89,156	36,272
Total current assets	378,673	462,839
Property, plant and equipment, net	614,884	599,474
Goodwill	16,080	16,080
Intangible assets, net	28,301	29,470
Investments	13,020	12,110
Other assets	9,557	12,630
Restricted cash	—	4,000
TOTAL ASSETS	\$ 1,060,515	\$ 1,136,603
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Lines of credit	\$ 69,247	\$ 52,844
Current maturities of long-term debt	16,674	15,402
Accounts payable	74,818	99,137
Accrued expenses and other liabilities	37,280	38,916
Deferred revenue	402	27,246
Total current liabilities	198,421	233,545
Unfavorable lease obligation	3,953	15,515
Deferred income taxes	23,254	20,279
Long-term contingent consideration for acquisitions	16,625	28,931
Convertible debt conversion liability	59,818	27,100
Long-term debt (net of debt issuance costs of \$5,856 and \$6,286, respectively)	192,807	196,203
Other liabilities	3,749	4,856
Total liabilities	498,627	526,429
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Common stock (\$.0001 par value; 300,000,000 shares authorized; 38,685,306 and 38,553,413 shares outstanding, respectively)	5	5
Common stock—additional paid-in-capital	483,631	480,906
Retained earnings	163,284	214,007
Accumulated other comprehensive loss	(2,570)	(5,751)
Treasury stock (9,281,444 and 9,246,002 shares outstanding, respectively)	(82,462)	(81,824)
Total equity attributable to the Company's shareholders	561,888	607,343
Non-controlling interest	—	2,831
Total equity	561,888	610,174
TOTAL LIABILITIES AND EQUITY	\$ 1,060,515	\$ 1,136,603

See notes to condensed consolidated financial statements.

RENEWABLE ENERGY GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except share and per share amounts)

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
REVENUES:				
Biomass-based diesel sales	\$ 455,928	\$ 399,325	\$ 799,664	\$ 613,001
Separated RIN sales	67,349	60,790	124,674	86,555
Biomass-based diesel government incentives	10,821	97,153	27,762	155,554
	534,098	557,268	952,100	855,110
Other revenue	1,005	1,033	1,896	1,062
	535,103	558,301	953,996	856,172
COSTS OF GOODS SOLD:				
Biomass-based diesel	468,407	468,069	822,258	721,786
Separated RINs	34,218	65,370	80,847	92,139
Other costs of goods sold	1,024	—	2,154	2
Impairment of long-lived assets	1,341	—	1,341	—
	504,990	533,439	906,600	813,927
GROSS PROFIT	30,113	24,862	47,396	42,245
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	22,812	20,850	45,719	40,626
RESEARCH AND DEVELOPMENT EXPENSE	3,181	4,427	6,779	8,353
INCOME (LOSS) FROM OPERATIONS	4,120	(415)	(5,102)	(6,734)
OTHER INCOME (EXPENSE), NET:				
Change in fair value of contingent consideration	24	(3,571)	(565)	(3,556)
Change in fair value of convertible debt conversion liability	(32,546)	13,432	(32,718)	13,432
Gain on debt extinguishment	—	2,152	—	2,152
Gain on involuntary conversion	—	997	—	4,540
Other income (loss), net	32	153	(288)	65
Interest expense	(4,479)	(3,738)	(9,015)	(7,049)
	(36,969)	9,425	(42,586)	9,584
INCOME (LOSS) BEFORE INCOME TAXES	(32,849)	9,010	(47,688)	2,850
INCOME TAX EXPENSE	(1,960)	(1,296)	(3,035)	(2,024)
NET INCOME (LOSS)	(34,809)	7,714	(50,723)	826
LESS—NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	(108)	—	(138)
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	(34,809)	7,606	(50,723)	688
LESS—EFFECT OF PARTICIPATING SHARE-BASED AWARDS	—	(161)	—	(12)
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY'S COMMON STOCKHOLDERS	\$ (34,809)	\$ 7,445	\$ (50,723)	\$ 676
NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS:				
BASIC	\$ (0.90)	\$ 0.18	\$ (1.31)	\$ 0.02
DILUTED	\$ (0.90)	\$ 0.18	\$ (1.31)	\$ 0.02
WEIGHTED AVERAGE SHARES USED TO COMPUTE NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS:				
BASIC	38,679,849	42,407,888	38,639,672	43,153,486
DILUTED	38,679,849	42,418,841	38,639,672	43,158,601

See notes to condensed consolidated financial statements.

RENEWABLE ENERGY GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)
(in thousands)

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net income (loss)	\$ (34,809)	\$ 7,714	\$ (50,723)	\$ 826
Foreign currency translation adjustments	2,630	(1,352)	3,181	312
Other comprehensive income (loss)	2,630	(1,352)	3,181	312
Comprehensive income (loss)	(32,179)	6,362	(47,542)	1,138
Less—Comprehensive loss attributable to noncontrolling interest	—	(184)	—	(99)
Comprehensive income (loss) attributable to the Company	\$ (32,179)	\$ 6,546	\$ (47,542)	\$ 1,237

See notes to condensed consolidated financial statements.

RENEWABLE ENERGY GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(unaudited)
(in thousands, except 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, 2016	43,837,714	\$ 4	\$ 474,367	\$ 169,680	\$ (4,009)	\$ (28,762)	\$ 2,730	\$ 614,010	
Issuance of common stock	33,973	—	316	—	—	—	—	316	
Issuance of common stock in acquisition	500,000	1	4,049	—	—	—	—	4,050	
Conversion of restricted stock units to common stock (net of 68,424 shares of treasury stock purchased)	178,285	—	—	—	—	(752)	—	(752)	
Partial termination of capped call options	—	—	1,588	—	—	—	—	1,588	
Convertible debt extinguishment impact (net of tax impact of \$2,144)	—	—	(5,085)	—	—	—	—	(5,085)	
Treasury stock purchases	(5,370,771)	—	—	—	—	(46,705)	—	(46,705)	
Acquisition of noncontrolling interest	—	—	—	—	—	—	(179)	(179)	
Stock compensation expense	—	—	1,934	—	—	—	—	1,934	
Other comprehensive income (loss)	—	—	—	—	411	—	(99)	312	
Net income	—	—	—	688	—	—	138	826	
BALANCE, June 30, 2016	39,179,201	\$ 5	\$ 477,169	\$ 170,368	\$ (3,598)	\$ (76,219)	\$ 2,590	\$ 570,315	
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 35,442 shares of treasury stock purchased)	131,893	—	—	—	—	(638)	—	(638)	
Acquisition of noncontrolling interest	—	—	(271)	—	—	—	(2,831)	(3,102)	
Stock compensation expense	—	—	2,996	—	—	—	—	2,996	
Other comprehensive income	—	—	—	—	3,181	—	—	3,181	
Net loss	—	—	—	(50,723)	—	—	—	(50,723)	
BALANCE, June 30, 2017	38,685,306	\$ 5	\$ 483,631	\$ 163,284	\$ (2,570)	\$ (82,462)	\$ —	\$ 561,888	

See notes to condensed consolidated financial statements.

RENEWABLE ENERGY GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Six months ended	
	June 30, 2017	June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (50,723)	\$ 826
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation expense	16,946	15,498
Amortization expense of assets and liabilities, net	890	354
Gain on involuntary conversion	—	(4,540)
Accretion of convertible note discount	2,685	2,462
Change in fair value of contingent consideration	565	3,556
Change in fair value of convertible debt conversion liability	32,718	(13,432)
Gain on debt extinguishment	—	(2,152)
Provision for doubtful accounts	202	(34)
Impairment of long-lived assets	1,341	—
Stock compensation expense	2,996	1,934
Deferred tax expense	2,350	1,969
Other operating activities	54	(505)
Changes in asset and liabilities, net of effects from acquisitions:		
Accounts receivable, net	97,978	212,823
Inventories	11,638	(42,240)
Prepaid expenses and other assets	(50,926)	(41,158)
Accounts payable	(24,558)	(141,972)
Accrued expenses and other liabilities	(18,798)	(1,686)
Deferred revenue	(26,844)	1,757
Net cash flows used in operating activities	(1,486)	(6,540)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash receipts for involuntary conversion	—	4,540
Cash receipts of restricted cash	4,000	—
Cash paid for purchase of property, plant and equipment	(32,037)	(27,467)
Cash paid for acquisitions and additional interests, net of cash acquired	(3,518)	(12,720)
Cash paid for investments	(816)	(3,249)
Other investing activities	—	376
Net cash flows used in investing activities	(32,371)	(38,520)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on revolving line of credit	16,125	21,373
Borrowings on other lines of credit	3,278	4,081
Repayments on other lines of credit	(3,000)	—
Cash received from notes payable	—	163,408
Cash paid on notes payable	(4,038)	(64,530)
Cash paid for debt issuance costs	(703)	(5,329)
Cash paid for treasury stock	—	(45,869)
Cash paid for contingent consideration settlement	(7,678)	(1,390)
Net cash flows from financing activities	3,984	71,744
NET CHANGE IN CASH AND CASH EQUIVALENTS	(29,873)	26,684
CASH AND CASH EQUIVALENTS, Beginning of period	116,210	47,081
Effect of exchange rate changes on cash	1,254	313
CASH AND CASH EQUIVALENTS, End of period	\$ 87,591	\$ 74,078

(continued)

RENEWABLE ENERGY GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Six months ended	
	June 30, 2017	June 30, 2016
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Cash paid for income taxes	\$ 214	\$ 244
Cash paid for interest	\$ 5,560	\$ 3,976
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Amounts included in period-end accounts payable for:		
Purchases of property, plant and equipment	\$ 3,166	\$ 4,135
Debt issuance cost	\$ 94	\$ 34
Issuance of common stock for acquisitions	\$ —	\$ 4,050
Contingent consideration for acquisitions	\$ —	\$ 4,500
Accruals of insurance proceeds related to impairment of property, plant and equipment	\$ 1,846	\$ 1,414

See "Note 3 - Acquisitions" for noncash items related to the acquisition transactions.

(concluded)

See notes to condensed consolidated financial statements.

RENEWABLE ENERGY GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For The Three and Six Months Ended June 30, 2017 and 2016
(unaudited)
(in thousands, except share and per share amounts)

NOTE 1 — BASIS OF PRESENTATION AND NATURE OF THE BUSINESS

The condensed consolidated financial statements have been prepared by Renewable Energy Group, Inc. and its subsidiaries (the "Company" or "REG"), pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted as permitted by such rules and regulations. All adjustments, consisting of normal recurring adjustments, have been included. Management believes that the disclosures are adequate to present fairly the financial position, results of operations and cash flows at the dates and for the periods presented. It is suggested that these interim financial statements be read in conjunction with the consolidated financial statements and the notes thereto appearing in the Company's latest annual report on Form 10-K filed on March 10, 2017. Results for interim periods are not necessarily indicative of those to be expected for the fiscal year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

As of June 30, 2017, the Company operates a network of fourteen biorefineries, with twelve locations in North America and two locations in Europe, which includes thirteen operating biomass-based diesel production facilities with aggregate nameplate production capacity of 502 million gallons per year, or mmgy, and a fermentation facility. REG has one feedstock processing facility. The Company's network includes the addition of a 20 -million gallon annual nameplate capacity biomass-based diesel refinery located in DeForest, Wisconsin, acquired in March 2016. Ten of these plants are "multi-feedstock capable" which allows them to use a broad range of lower-cost feedstocks, such as inedible corn oil, used cooking oil and inedible animal fats in addition to vegetable oils, such as soybean oil and canola oil.

The biomass-based diesel industry and the Company's business have benefited from the continuation of certain federal and state incentives. The federal biodiesel mixture excise tax credit (the "BTC") was reinstated for 2015, in effect throughout 2016 and lapsed on January 1, 2017. During the six months ended June 30, 2017, the Company recognized \$26,743 as BTC revenue out of the \$26,897 deferred BTC revenue that was outstanding as of December 31, 2016. It is uncertain whether the BTC will be reinstated. The expiration or modification of any one or more of those incentives, could adversely affect the financial results of the Company.

During the third quarter 2016 close process, the Company identified errors in its previously reported interim financial statements for the quarter ended March 31, 2016 pertaining to certain biomass-based diesel sales completed in that quarter that contained BTC sharing terms resulting in an overstatement of biomass-based diesel sales and a corresponding understatement of accounts payable, deferred income taxes and income tax expense for the three months ended March 31, 2016 and income tax expense for the three and six months ended June 30, 2016. The correction of the errors is reflected in the comparative figures within this report.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies should be read in conjunction with a summary of the significant accounting policies the Company has disclosed in its Annual Report on Form 10-K for the year ended December 31, 2016 .

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. Through June 30, 2017, the Company has received approximately \$85,779 of the \$89,266 outstanding related to the 2016 biodiesel mixture excise tax credit, which results in \$3,487 remaining as outstanding receivables at June 30, 2017.

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 Renewable Fuel Standards (RFS2). RFS2 allows the Company to attach between zero and 2.5 RINs to any 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 production sales.

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 value 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 Condensed 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 the Oil Price Information Service ("OPIS").

California's 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 imported into California. LCFS credits are used to track compliance with California's LCFS. As a result, a portion of the selling price for a gallon of biomass-based diesel sold into California 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 on other biomass-based diesel sales that do not transfer credits.

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 obtained from third parties is reflected in "Prepaid expenses and other assets" on the consolidated balance sheet. 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.

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.

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.

In June 2017, the Company experienced a fire at its Madison facility, resulting in the shutdown of the facility. The Company recorded initial fixed assets with a net book value of approximately \$1,846 that were impaired as a result of the fire in June 2017 and is continuing to identify other fixed assets damaged by the fire. The Company believes it is probable that it will recover all the net book value of the assets damaged by the fire under its insurance policies. As such, a receivable was recorded as an offset to the estimated impairment loss. The Company's insurer acknowledged the proof of loss due to the fire and subsequent to the quarter end, agreed to issue the Company a payment in the amount of \$5,000 to cover initial costs incurred for property losses and business interruption. No impact on earnings was recognized during the three months ended June 30, 2017.

In June 2017, the Company entered into an agreement to terminate the ground lease and purchase the land it had leased for its Geismar, Louisiana biorefinery as well as more than 61 adjacent acres from Lion Copolymer for \$20,000. The Company recorded a loss of \$3,967 as a result of the lease termination for the three months ended June 30, 2017.

Convertible Debt

In June 2016, the Company issued \$152,000 aggregate principal amount of 4% convertible senior notes due 2036 (the "2036 Convertible Notes"). The Company may not elect to issue shares of common stock upon conversion of the 2036 Convertible Notes to the extent such election would result in the issuance of more than 19.99% of the common stock outstanding immediately before the issuance of the 2036 Convertible Notes until the Company receives stockholder approval for such issuance. As a result, the embedded conversion option is accounted for as an embedded derivative liability. This liability is recorded at fair value, and \$32,546 and \$32,718 fair value adjustments were recorded for the three and six months ended June 30, 2017, respectively. The Company expects to continue marking the embedded conversion option to market

unless and until shareholders authorize additional common shares. See "Note 7 - Debt" for a further description of the transaction.

Research and Development

Research and development ("R&D") costs are charged to expense as incurred. In process research and development ("IPR&D") assets acquired in connection with acquisitions are recorded on the Condensed Consolidated Balance Sheets as intangible assets. During October 2016, the Company entered into the first commercial sale agreement to sell certain products made from the IPR&D platform. This triggered the review of the impairment and useful life of the IPR&D assets. The Company performed a final discounted cash flow analysis at October 31, 2016 prior to assigning a useful life to the IPR&D assets. The Company determined the useful life of the IPR&D assets to be 15 years and has utilized a straight line method to amortize these assets over the useful life.

New Accounting Standards

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. The ASU is effective for annual periods beginning after December 15, 2018 and interim periods therein. The Company has started the process to compile and review all of its leases. While the Company is continuing to assess all potential impacts of the standard, the Company currently believes the most significant impact relates to its accounting for office, railcar and terminal operating leases. The Company plans to apply a modified retrospective transition approach to each applicable lease that exists at January 1, 2017 as well as leases entered after this date.

In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Consideration (Reporting Revenue Gross versus Net)" which clarifies how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements, such as service transactions. The guidance also re-frames the indicators to focus on evidence that an entity is acting as a principal rather than an agent. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is evaluating the impact of this guidance, but does not expect it to have any material impact on its consolidated financial statements.

In May 2016, the FASB issued ASU 2016-12, which amends certain aspects of the new revenue standard, ASU 2014-09. The amendments address issues such as collectability; presentation of sales tax and other similar taxes collected from customers; noncash consideration; contract modifications and completed contracts at transition; and transition technical correction. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company is evaluating the impact of this guidance, but does not expect it to have any material impact on its consolidated financial statements.

Effective January 1, 2018, the Company will be required to adopt the new guidance of ASC Topic 606, Revenue from Contracts with Customers (Topic 606), which will supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition. Topic 606 requires the Company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance requires the Company to apply the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Company satisfies a performance obligation. The Company will be required to adopt Topic 606 either on a full retrospective basis to each prior reporting period presented or on a modified retrospective basis with the cumulative effect of initially applying the new guidance recognized at the date of initial application. The Company will adopt Topic 606 on a modified retrospective basis and will be required to provide additional disclosures of the amount by which each financial statement line item is affected in the current reporting period, as compared to the guidance that was in effect before the change, and an explanation of the reasons for significant changes. The adoption of this new guidance will require expanded disclosures in the Company's consolidated financial statements. The Company has established a cross-functional implementation team consisting of representatives from all of its business segments. Initial impact assessment also indicates that the majority of the Company's contracts will continue to be recognized at a point in time and that the number of performance obligations and the accounting for variable consideration are not expected to be significantly different from current practice.

On May 10, 2017, the FASB issued ASU 2017-09, which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The Company is evaluating the impact of this guidance on its consolidated financial statements.

NOTE 3 — ACQUISITIONS

Sanimax Energy, LLC

On March 15, 2016, the Company acquired fixed assets and inventory from Sanimax Energy, including the 20 mmgy nameplate capacity biomass-based diesel refinery in DeForest, Wisconsin. The Company completed its initial accounting of this business combination as the valuation of the real and personal property was finalized as of December 31, 2016.

The following table summarizes the consideration paid for the acquisition from Sanimax Energy:

	March 15, 2016	
Consideration at fair value for acquisition from Sanimax:		
Cash	\$	12,541
Common stock		4,050
Contingent consideration		4,500
Total	\$	21,091

The fair value of the 500,000 shares of Common Stock issued was determined using the closing market price of the Company's common shares at the date of acquisition.

REG Madison may pay contingent consideration of up to \$5,000 ("Earnout Payments") over a seven-year period after the acquisition, subject to achievement of certain milestones related to the biomass-based diesel gallons produced and sold by REG Madison. The Earnout Payments are payable in cash and cannot exceed \$1,700 in any one year period beginning March 15, 2016 through 2023 and up to \$5,000 in aggregate. As of June 30, 2017, the Company has recorded a contingent liability of \$2,940, approximately \$921 of which has been classified as current on the Condensed Consolidated Balance Sheets.

The following table summarizes the fair values of the assets acquired at the acquisition date.

	March 15, 2016	
Assets acquired from Sanimax Energy:		
Inventory	\$	1,591
Property, plant and equipment		19,500
Net identifiable assets acquired	\$	21,091

The following pro forma condensed combined results of operations assume that the acquisition from Sanimax Energy was completed as of January 1, 2016.

	Three Months Ended June 30, 2017		Three Months Ended June 30, 2016		Six Months Ended June 30, 2017		Six Months Ended June 30, 2016	
Revenues	\$	535,103	\$	558,301	\$	953,996	\$	864,598
Net income (loss)		(34,809)		7,516		(50,723)		679
Basic net income (loss) per share	\$	(0.89)	\$	0.18	\$	(1.30)	\$	0.02

NOTE 4 — INVENTORIES

Inventories consist of the following:

	June 30, 2017	December 31, 2016
Raw materials	\$ 44,935	\$ 34,560
Work in process	3,579	3,775
Finished goods	86,492	107,073
Total	<u>\$ 135,006</u>	<u>\$ 145,408</u>

NOTE 5 — OTHER ASSETS

Prepaid expense and other assets consist of the following:

	June 30, 2017	December 31, 2016
Commodity derivatives and related collateral, net	\$ 3,365	\$ 7,127
Prepaid expenses	12,344	10,665
Deposits	4,822	2,897
RIN inventory	59,487	9,398
Taxes receivable	8,186	4,539
Other	952	1,646
Total	<u>\$ 89,156</u>	<u>\$ 36,272</u>

RIN inventory values were adjusted in the amounts of \$176 and \$612 at June 30, 2017 and December 31, 2016, respectively, to reflect the lower of cost or net realizable value.

Other noncurrent assets consist of the following:

	June 30, 2017	December 31, 2016
Spare parts inventory	\$ 2,854	\$ 3,532
Catalysts	3,720	4,479
Deposits	381	2,392
Other	2,602	2,227
Total	<u>\$ 9,557</u>	<u>\$ 12,630</u>

NOTE 6 — INTANGIBLE ASSETS

Intangible assets consist of the following:

	June 30, 2017			
	Cost	Accumulated Amortization	Net	Weighted Average Remaining Life
Raw material supply agreement	\$ 6,230	\$ (2,194)	\$ 4,036	8.5 years
Renewable hydrocarbon diesel technology	8,300	(1,706)	6,594	12.0 years
Ground lease	200	(135)	65	4.4 years
Acquired customer relationships	2,900	(541)	2,359	8.1 years
In-process research and development	15,956	(709)	15,247	14.3 years
Total intangible assets	<u>\$ 33,586</u>	<u>\$ (5,285)</u>	<u>\$ 28,301</u>	

	December 31, 2016			Weighted Average Remaining Life
	Cost	Accumulated Amortization	Net	
Raw material supply agreement	\$ 6,230	\$ (1,987)	\$ 4,243	9.0 years
Renewable hydrocarbon diesel technology	8,300	(1,429)	6,871	12.5 years
Ground lease	200	(127)	73	4.9 years
Acquired customer relationships	2,900	(396)	2,504	8.6 years
In-process research and development	15,956	(177)	15,779	14.8 years
Total intangible assets	<u>\$ 33,586</u>	<u>\$ (4,116)</u>	<u>\$ 29,470</u>	

The Company recorded intangible amortization expense of \$585 and \$1,169 for the three and six months ended June 30, 2017, and \$323 and \$640 for the three and six months ended June 30, 2016, respectively.

The estimated intangible asset amortization expense for the remainder of 2017 through 2023 and thereafter is as follows:

July 1, 2017 through December 31, 2017	\$	1,183
2018		2,373
2019		2,379
2020		2,386
2021		2,392
2022		2,385
2023 and thereafter		15,203
Total	\$	<u>28,301</u>

NOTE 7 — DEBT

The Company's debt is as follows:

	June 30, 2017	December 31, 2016
4.00% Convertible Senior Notes, \$152,000 face amount, due in June 2036	\$ 114,842	\$ 113,446
2.75% Convertible Senior Notes, \$73,838 face amount, due in June 2019	68,544	67,254
REG Danville term loan, secured, variable interest rate of LIBOR plus 4%, due in December 2017	7,100	8,163
REG Newton term loan, secured, variable interest rate of LIBOR plus 4%, due in December 2018	10,808	13,063
REG Mason City term loan, fixed interest rate of 5%, due in July 2019	1,751	2,659
REG Ames term loans, secured, fixed interest rates of 3.5% and 4.25%, due in January 2018 and December 2019, respectively	3,392	3,565
REG Grays Harbor term loan, variable interest of minimum of 3.5% or Prime Rate plus 0.25%, due in May 2022	8,467	9,273
Other	433	468
Total term debt before debt issuance costs	215,337	217,891
Less: Current portion of long-term debt	16,674	15,402
Less: Debt issuance costs (net of accumulated amortization of \$2,846 and \$2,396, respectively)	5,856	6,286
Total long-term debt	<u>\$ 192,807</u>	<u>\$ 196,203</u>

Convertible Senior Notes

On June 2, 2016, the Company issued \$152,000 aggregate principal amount of the 2036 Convertible Notes in a private offering to qualified institutional buyers. The 2036 Convertible 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 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 Notes may convert their notes at any time. Unless and until the Company obtains stockholder approval under applicable NASDAQ Stock Market rules, the 2036 Convertible Notes will be convertible, subject to certain conditions, into cash. If the Company obtains such stockholder approval, the 2036 Convertible 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 Notes prior to June 15, 2021. Holders of the 2036 Convertible 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 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 Notes (equivalent to an initial conversion price of approximately \$10.78 per common share).

The net proceeds from the offering of the 2036 Convertible 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 Company evaluated the terms of the conversion features under the applicable accounting literature, including Derivatives and Hedging, ASC 815, and determined that a certain feature required separate accounting as a derivative. This derivative was recorded as a long-term liability, "Convertible Debt Conversion Liability", on the Condensed Consolidated Balance Sheets and will be adjusted to reflect fair value each reporting date. The fair value of the convertible debt conversion liability at issuance was \$40,145. The fair value of the convertible debt conversion liability at June 30, 2017 was \$59,818. The Company recognized a loss of \$32,718 and \$32,546 for the three and six months ended June 30, 2017, respectively, which is reflected in the "Change in Fair Value of Convertible Debt Conversion Liability" on the Condensed Consolidated Statements of Operations. The debt liability component of 2036 Convertible Notes was determined to be \$111,855 at issuance, reflecting a debt discount of \$40,145. The debt discount is to be amortized through June 2036. The effective interest rate on the debt liability component was 2.45%.

REG Ralston

On April, 19, 2017, REG Ralston, LLC ("REG Ralston") entered into a construction loan agreement ("Construction Loan Agreement") with First Midwest Bank. The Construction Loan Agreement allows REG Ralston to borrow up to \$20,000 during the construction period at REG Ralston and convert it into an amortizing term debt thereafter. The loan has a maturity date of October 19, 2025. The loan requires monthly principal payments after the construction period and interest to be charged using prime rate plus 0.5% per annum. The loan agreement contains various loan covenants. At June 30, 2017, the Company had not made any borrowings under this Construction Loan Agreement.

Lines of Credit

	June 30, 2017	December 31, 2016
Amount outstanding under lines of credit	\$ 69,247	\$ 52,844
Maximum available to be borrowed under lines of credit	\$ 31,008	\$ 100,237

On March 16, 2016, REG Energy Services, LLC ("REG Energy Services") entered into an operating and revolving line of credit agreement (the "Agreement") with Bankers Trust Company ("Bankers Trust"). Pursuant to the Agreement, Bankers Trust agreed to provide an operating and revolving line of credit (the "Line of Credit") to REG Energy Services in the amount of \$30,000. Amounts outstanding under the Agreement bear variable interest as stipulated in the Agreement. The Agreement contains various loan covenants that restrict REG Energy Services' ability to take certain actions, including prohibiting it in certain circumstances from making payments to the Company. In addition, the Line of Credit is secured by substantially all of REG Energy Services' accounts receivable and inventory. On March 16, 2017, the Agreement was amended to extend the maturity date to March 18, 2018.

REG Germany has a trade finance facility agreement ("Uncommitted Credit Facility Agreement") with BNP Paribas in Europe, which allows it to borrow up to \$25,000 for funding the purchase of goods and services. Amounts outstanding under the Uncommitted Credit Facility Agreement bear variable interest and are payable as stipulated in the agreement. The amount that can be borrowed under the agreement can be amended, cancelled or restricted at BNP Paribas's sole discretion and therefore is not included in the maximum available to be borrowed under lines of credit above. The Uncommitted Credit

Facility Agreement contains various loan covenants that require REG Germany to maintain certain financial measures. At June 30, 2017, the nominal interest rates ranged from 2.14% to 2.50% per annum.

NOTE 8 — DERIVATIVE INSTRUMENTS

The Company enters into New York Mercantile Exchange NY Harbor ULSD ("NY Harbor ULSD" or previously referred to as heating oil) and CBOT Soybean Oil (previously referred to as soybean oil) 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 designated as non-hedge derivatives and recorded at fair value on the Condensed 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. As of June 30, 2017, the net notional volumes of NY Harbor ULSD and CBOT Soybean Oil covered under the open commodity derivative contracts were approximately 73 million gallons and 6 million pounds, 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 Condensed Consolidated Balance Sheets. The following table sets forth the fair value of the Company's commodity contract derivatives and amounts that offset within the Condensed Consolidated Balance Sheets:

	June 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Gross amounts of derivatives recognized at fair value	\$ 2,962	\$ 2,045	\$ 1,272	\$ 3,511
Cash collateral	2,448	—	9,366	—
Total gross amount recognized	5,410	2,045	10,638	3,511
Gross amounts offset	(2,045)	(2,045)	(3,511)	(3,511)
Net amount reported in the condensed consolidated balance sheets	\$ 3,365	\$ —	\$ 7,127	\$ —

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

Location of Gain (Loss) Recognized in income		Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Commodity derivatives	Cost of goods sold – Biomass-based diesel	\$ 9,758	\$ (30,527)	\$ 18,047	\$ (34,796)

NOTE 9 — 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 is as follows:

	As of June 30, 2017			
	Total	Level 1	Level 2	Level 3
Commodity contract derivatives	\$ 917	\$ (135)	\$ 1,052	\$ —
Convertible debt conversion liability	(59,818)	—	(59,818)	—
Contingent considerations for acquisitions	(39,455)	—	—	(39,455)
	\$ (98,356)	\$ (135)	\$ (58,766)	\$ (39,455)

	As of December 31, 2016			
	Total	Level 1	Level 2	Level 3
Commodity contract derivatives	\$ (2,239)	\$ (1,297)	\$ (942)	\$ —
Convertible debt conversion liability	(27,100)	—	(27,100)	—
Contingent considerations for acquisitions	(46,568)	—	—	(46,568)
	<u>\$ (75,907)</u>	<u>\$ (1,297)</u>	<u>\$ (28,042)</u>	<u>\$ (46,568)</u>

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):

	Contingent Consideration for Acquisitions	
	2017	2016
Balance at beginning of period, January 1	\$ 46,568	\$ 41,712
Fair value of contingent consideration at measurement date	—	4,500
Change in estimates included in earnings	589	(15)
Settlements	(3,980)	(581)
Balance at end of period, March 31	43,177	45,616
Change in estimates included in earnings	(24)	3,571
Settlements	(3,698)	(809)
Balance at end of period, June 30	<u>\$ 39,455</u>	<u>\$ 48,378</u>

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

	As of June 30, 2017		As of December 31, 2016	
	Asset (Liability) Carrying Amount	Fair Value	Asset (Liability) Carrying Amount	Fair Value
Financial liabilities:				
Debt and lines of credit	\$ (284,584)	\$ (277,500)	\$ (270,735)	\$ (264,267)

The carrying amounts reported in the Condensed 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 Condensed Consolidated Balance Sheets.

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

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 that is determined based on quoted prices of similar contracts in over-the-counter markets is reflected in Level 2.

Contingent consideration for acquisitions: The fair value of the contingent consideration regarding REG Life Sciences, LLC ("REG Life Sciences") 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 achievement of certain milestones related to the development and commercialization of products from REG Life Sciences' technology occur. There is no observable market data available to use in valuing the contingent consideration; therefore, the Company developed its own assumptions related to the expected future delivery of product enhancements to estimate the fair value of these liabilities. An 8.0% discount rate is used to estimate the fair value of the expected payments.

The fair value of all other 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 10.0% is used to estimate the fair value of the expected payments.

Convertible debt conversion liability: The fair value of the convertible debt conversion liability is estimated using the Black-Scholes model incorporating the terms and conditions of the 2036 Convertible Notes and considering changes in the prices of the Company's common stock, Company stock price volatility, risk-free rates and changes

in market rates. The valuations are, among other things, subject to changes in the Company's credit worthiness as well as change in general market conditions. As the majority of the assumptions used in the calculations are based on market sources, the fair value of the convertible conversion liability is reflected in Level 2.

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.

NOTE 10 — 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 ("RSUs").

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.

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:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Options to purchase common stock	—	87,026	—	87,026
Stock appreciation rights	1,297,282	2,251,132	1,446,618	2,422,353
2019 Convertible notes	5,567,112	9,302,579	5,567,112	10,070,399
2036 Convertible notes	14,106,725	4,495,550	14,106,725	2,247,775
Total	20,971,119	16,136,287	21,120,455	14,827,553

The following table presents the calculation of diluted net loss per share:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income (loss) attributable to the Company's common stockholders - Basic	\$ (34,809)	\$ 7,445	\$ (50,723)	\$ 676
Less: effect of participating securities	—	—	—	—
Net income (loss) attributable to common stockholders - Dilutive	\$ (34,809)	\$ 7,445	\$ (50,723)	\$ 676
Shares:				
Weighted-average shares used to compute basic net income per share	38,679,849	42,407,888	38,639,672	43,153,486
Adjustment to reflect stock appreciation right conversions	—	10,953	—	5,115
Weighted-average shares used to compute diluted net income per share	38,679,849	42,418,841	38,639,672	43,158,601
Net income (loss) per share attributable to common stockholders:				
Diluted	\$ (0.90)	\$ 0.18	\$ (1.31)	\$ 0.02

NOTE 11 — 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 segments on an annual basis. The Company has three reportable segments, which 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. The Company's reportable segments at June 30, 2017 and for the year ended December 31, 2016 are composed of Biomass-based Diesel, Services, Renewable Chemicals and

Corporate and other activities. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Biomass-based Diesel segment processes waste vegetable oils, animal fats, virgin vegetable oils and other feedstocks and methanol 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 Renewable Chemicals segment consists of research and development activities involving the production of renewable chemicals, additional advanced biofuels and other products from the Company's proprietary microbial fermentation process and the operations of a demonstration scale facility located in Okeechobee, Florida.

The Corporate and Other segment includes trading activities related to petroleum-based heating oil and diesel fuel 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:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net revenues:				
Biomass-based Diesel (includes REG Germany's net sales of \$41,473 and \$95,025 for the three and six months ended June 30, 2017, respectively, and \$45,748 and \$82,667 for the three and six months ended June 30, 2016, respectively)	\$ 532,527	\$ 539,631	\$ 922,632	\$ 824,669
Services	20,922	21,396	43,755	42,133
Renewable Chemicals	1,002	1,000	1,830	1,000
Corporate and Other	39,366	23,643	77,138	40,632
Intersegment revenues	(58,714)	(27,369)	(91,359)	(52,262)
	<u>\$ 535,103</u>	<u>\$ 558,301</u>	<u>\$ 953,996</u>	<u>\$ 856,172</u>
Income (loss) before income taxes:				
Biomass-based Diesel (includes REG Germany's income (loss) of (\$2,092) and (\$1,332) for the three and six months ended June 30, 2017, respectively and \$1,183 and \$1,616 for the three and six months ended June 30, 2016, respectively)	\$ 4,323	\$ (3,591)	\$ (6,392)	\$ 1,546
Services	(267)	1,261	(377)	1,834
Renewable Chemicals	(4,828)	(3,924)	(9,835)	(8,605)
Corporate and Other	(32,077)	15,264	(31,084)	8,075
	<u>\$ (32,849)</u>	<u>\$ 9,010</u>	<u>\$ (47,688)</u>	<u>\$ 2,850</u>
Depreciation and amortization expense, net:				
Biomass-based Diesel (includes REG Germany's amounts of \$788 and \$1,474 for the three and six months ended June 30, 2017, respectively and \$594 and \$1,445 for the three and six months ended June 30, 2016, respectively)	\$ 7,830	\$ 7,140	\$ 15,570	\$ 14,068
Services	251	117	482	213
Renewable Chemicals	384	368	769	782
Corporate and Other	508	392	1,015	789
	<u>\$ 8,973</u>	<u>\$ 8,017</u>	<u>\$ 17,836</u>	<u>\$ 15,852</u>
Cash paid for purchases of property, plant and equipment:				
Biomass-based Diesel (includes REG Germany's amounts of \$1,227 and \$2,395 for the three and six months ended June 30, 2017, respectively, and \$374 and \$374 for the three and six months ended June 30, 2016, respectively)	\$ 13,517	\$ 11,895	\$ 29,398	\$ 25,499
Services	938	—	1,520	1,166
Renewable Chemicals	—	619	7	619
Corporate and Other	946	183	1,112	183
	<u>\$ 15,401</u>	<u>\$ 12,697</u>	<u>\$ 32,037</u>	<u>\$ 27,467</u>

	June 30, 2017	December 31, 2016
Goodwill:		
Services	\$ 16,080	\$ 16,080
Assets:		
Biomass-based Diesel (including REG Germany's assets of \$58,039 and \$54,646, respectively)	\$ 964,373	\$ 1,026,349
Services	49,941	53,823
Renewable Chemicals	22,330	22,883
Corporate and Other	309,764	299,825
Intersegment eliminations	(285,893)	(266,277)
	<u>\$ 1,060,515</u>	<u>\$ 1,136,603</u>

Geographic Information:

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

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net revenues:				
United States	\$ 477,769	\$ 512,553	\$ 843,110	\$ 773,505
Germany	41,473	45,748	95,025	82,667
Other Foreign	15,861	—	15,861	—
Non-United States	57,334	45,748	110,886	82,667
	<u>\$ 535,103</u>	<u>\$ 558,301</u>	<u>\$ 953,996</u>	<u>\$ 856,172</u>

	June 30, 2017	December 31, 2016
Long-lived assets:		
United States	\$ 593,247	\$ 580,868
Foreign	21,637	18,606
	<u>\$ 614,884</u>	<u>\$ 599,474</u>

NOTE 12 — 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.

NOTE 13 — SUBSEQUENT EVENTS

On July 3, 2017, Daniel J. Oh resigned as President, Chief Executive Officer and as a member of the Board of Directors of the Company. The Company and Mr. Oh are parties to an employment agreement, which provides that Mr. Oh will be entitled to a combination of cash and stock payments as severance benefits.

In July 2017, the Company reached an agreement with its insurance carriers on a final payment for business interruption insurance related to the fires at its Geismar facility of \$7,636, which has all been received as of the date of this report.

On July 28, 2017, REG Danville, LLC ("REG Danville") entered into an amended loan agreement ("Loan Agreement") with Fifth Third Bank. The Loan Agreement allows REG Danville to borrow \$12,500 with a maturity date of July 28, 2022.

The loan requires monthly principal payments and bears LIBOR-based variable interest rates. The loan agreement contains various loan covenants.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements regarding Renewable Energy Group, Inc., or "we," "our" or "the Company", that involve risks and uncertainties such as anticipated financial performance, business prospects, technological developments, products, possible strategic initiatives and similar matters. In some cases, you can identify forward-looking statements by terms such as "may," "might," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "estimate," "predict," "potential," "plan," or the negative of these terms, and similar expressions intended to identify forward-looking statements.

These forward-looking statements include, but are not limited to, statements about facilities currently under development progressing to the construction and operational stages, including the expected capabilities of these facilities, planned capital expenditures and our ability to obtain financing for such construction; existing or proposed legislation affecting the biomass-based diesel industry, including governmental incentives and tax credits; the investigation by the U.S. International Trade Commission regarding trade practices by Argentine and Indonesian companies; our utilization of forward contracting and hedging strategies to minimize feedstock and other input price risk; our operational management and facility construction services; the expected effect of current and future environmental laws and regulations on our business and financial condition; our ability to renew existing and expired contracts at similar or more favorable terms; expected technological advances in biomass-based diesel production methods; our ability to develop and market renewable chemicals; anticipated future revenue from products from our life sciences business, which have not been fully developed or commercialized; our competitive advantage relating to input costs relative to our competitors; the market for biomass-based diesel, including the factors that affect such market and our operating results and seasonal fluctuations in demand, and potential biomass-based diesel consumers; our ability to further develop our financial, managerial and other internal controls and reporting systems to accommodate future growth; our ability to improve our internal control over financial reporting; expectations regarding the realization of deferred tax assets and the establishment and maintenance of tax reserves and anticipated trends; the ability of insurance to protect against liabilities, including any liability resulting from the fires at our Geismar and Madison facilities; expectations regarding our expenses and sales; our credit worthiness and anticipated general market conditions; anticipated cash needs and estimates regarding capital requirements and needs for additional financing; and challenges in our business and the biomass-based diesel market.

These forward-looking statements are based on management's current expectations, estimates, assumptions and projections, which are subject to risks and uncertainties. These risks and uncertainties could cause actual results to differ materially from those expected. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Risks and uncertainties include, but are not limited to, those risks discussed in Item 1A Part II in this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017. We encourage you to read this Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the accompanying condensed consolidated financial statements and related notes. Forward-looking statements contained in this report present management's views only as of the date of this report. Except as required under applicable law, we do not intend to issue updates concerning any future revisions of management's views to reflect events or circumstances occurring after the date of this report.

Overview

Our Company focuses on providing cleaner, lower carbon products and services. We utilize a 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. We own and operate 14 biorefineries with 12 locations in North America and two locations in Germany, which consist of 13 biomass-based diesel plants (biodiesel and renewable hydrocarbon diesel), with aggregate nameplate production capacity of 502 gallons per year ("mmgy"), and one demonstration scale fermentation facility. We also have one feedstock processing facility in Germany. We are also engaged in research and development efforts focused on the conversion of diverse feedstocks into renewable chemicals and biobased products.

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

We expanded our business internationally by acquiring a majority interest in what is now known as REG Germany, GmbH, or REG Germany, in December 2014. We continued to acquire additional shares throughout 2015 and 2016, and in January 2017, we acquired full equity ownership of REG Germany. REG Germany is a fully-integrated company that utilizes

used cooking oil and other waste feedstocks to produce biomass-based diesel at its two biorefineries in Germany. The combined nameplate production capacity is approximately 50 mmgy.

We sell petroleum-based heating oil and diesel fuel, which enables us to offer additional biofuel blends, while expanding our customer base. We sell heating oil and ultra-low sulfur diesel ("ULSD") at terminals throughout the northeastern U.S. as well as BioHeat® blended heating fuel at one of our existing Northeast terminal locations. In 2015, we expanded our sales of additional biofuel blends to Midwest terminal locations and look to potentially expand in other areas across North America.

In January 2014, we acquired a development-stage industrial biotechnology business focusing on microbial fermentation to develop and produce renewable chemicals, fuels and other products.

We acquired a 75 mmgy nameplate capacity renewable hydrocarbon diesel ("RHD") biorefinery located in Geismar, Louisiana in June 2014. Our Geismar facility had been idled by its previous owner, began operating again by us in October 2014 and was shut down between April 2015 and early March 2016 due to two separate fires that occurred in April and September 2015. Our Geismar facility has been running at high utilization rates since early October 2016.

In August 2015, we acquired our Grays Harbor facility, a 100 mmgy nameplate biodiesel plant and terminal at the Port of Grays Harbor, Washington. This acquisition expanded our production fleet to the west coast of the United States. The Grays Harbor location includes 18 million gallons of storage capacity and a terminal that can accommodate feedstock intake and fuel delivery on deep-water PANAMAX class vessels. It also possesses significant rail and truck transport capabilities. To date, the production facility's primary feedstock has been canola oil.

In March 2016, we acquired our 20 mmgy nameplate biodiesel refinery located in DeForest, Wisconsin, or REG Madison, which produces biodiesel from yellow grease, rendered animal fats, and inedible corn oil, and also produces refined vegetable oils using our patented technology currently in use at our Seneca, Illinois plant. The facility has both truck and rail capabilities. In June 2017, we experienced a fire at our Madison facility, resulting in the shutdown of the facility.

During the three and six months ended June 30, 2017, we sold 160 million and 282 million total gallons of fuel, including 16 million and 30 million gallons of biomass-based diesel that we purchased from third parties and resold, 10 million and 21 million biomass-based diesel gallons produced by REG Germany and 18 million and 40 million petroleum-based diesel gallons, respectively. During 2016, we sold 567 million total gallons, including 77 million biomass-based gallons we purchased from third parties and resold, 45 million biomass-based diesel gallons produced by REG Germany and 54 million petroleum-based diesel gallons.

Our businesses are organized into three reportable segments – the Biomass-based Diesel segment, the Services segment and the Renewable Chemicals segment.

Biomass-based Diesel Segment

Our Biomass-based Diesel segment includes:

- the operations of the following biomass-based diesel production facilities:
 - a 12 mmgy nameplate biodiesel production facility located in Ralston, Iowa;
 - a 35 mmgy nameplate biodiesel production facility located near Houston, Texas;
 - a 45 mmgy nameplate biodiesel production facility located in Danville, Illinois;
 - a 30 mmgy nameplate biodiesel production facility located in Newton, Iowa;
 - a 60 mmgy nameplate biodiesel production facility located in Seneca, Illinois;
 - a 30 mmgy nameplate biodiesel production facility located near Albert Lea, Minnesota;
 - a 15 mmgy nameplate biodiesel production facility located in New Boston, Texas;
 - a 30 mmgy nameplate biodiesel production facility located in Mason City, Iowa;
 - a 75 mmgy nameplate RHD production facility located in Geismar, Louisiana;
 - a 27 mmgy nameplate biodiesel production facility located in Emden, Germany;
 - a 23 mmgy nameplate biodiesel production facility located in Oeding, Germany;
 - a 100 mmgy nameplate biodiesel production facility located in Grays Harbor, Washington; and
 - a 20 mmgy nameplate biodiesel production facility located in DeForest, Wisconsin.
- purchases and resales of biomass-based diesel, petroleum-based diesel, Renewable Identification Numbers ("RINs") and Low Carbon Fuel Standard credits, or 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 glycerin, free fatty acids and other co-products of the biomass-based diesel production process. In 2016 and for the three and six months ended June 30, 2017, our revenues from the sale of co-products were less than five percent of our total Biomass-based Diesel segment revenues. For the three and six months ended June 30, 2017, 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 at wholly owned facilities or purchased from third parties, were approximately five percent and seven percent, respectively, 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 Renewable Fuel Standard 2, or 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 1.5 to 2.5 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; however no cost is allocated to the RINs generated by our biomass-based diesel production as 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 sales 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 Condensed Consolidated Balance Sheets. At each balance sheet date, this RIN inventory is valued at the lower of cost or net realizable value and any 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. At June 30, 2017, we had approximately 60.0 million biomass-based diesel RINs and 1.4 million advanced biofuel RINs available to be sold, as compared to 16.8 million biomass-based diesel RINs and 0.2 million advanced biofuel RINs held for sale at December 31, 2016, respectively. According to the Oil Pricing Information System ("OPIS"), the median closing price at June 30, 2017 was \$1.11 and \$1.09 per biomass-based diesel RIN and advanced biofuel RIN, respectively compared to \$1.055 and \$1.055 at December 31, 2016, respectively, per biomass-based diesel RIN and advanced biofuel RIN, respectively.

We generate Low Carbon fuel Standard ("LCFS") credits for our low carbon fuels or blendstocks when our qualified low carbon fuels are imported into California. LCFS credits are used to track compliance with California's LCFS. As a result, a portion of the selling price for a gallon of biomass-based diesel sold into California 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. At June 30, 2017, we held for sale approximately 13,000 LCFS credits, increasing from 5,000 credits at December 31, 2016. According to OPIS, the median closing price at June 30, 2017 and December 31, 2016 was \$78.00 and \$93.00, respectively, per LCFS credit.

Services Segment

Our Services 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 construction of biomass-based diesel production facilities.

During recent years, we have utilized our construction management expertise internally to upgrade our facilities, such as our facilities located in Albert Lea, New Boston, Mason City and Newton. In October 2016, we completed a \$34.5 million upgrade to our Danville facility. In November 2016, we started a \$24 million expansion project at our Ralston facility. In June 2017, we completed the \$20 million acquisition of approximately 82 acres of land at and in close proximity to our Geismar, Louisiana biorefinery from Lion Copolymer. The purchase includes the termination of a ground lease and acquires the 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 future expansion opportunities using the Services segment.

Renewable Chemicals Segment

Our Renewable Chemicals segment includes:

- research and development activities focusing on microbial fermentation to develop and produce renewable chemicals, additional advanced biofuels and other biobased products;

- collaborative research and development and other service activities to continue to build out the technology platform; and
- the operations of a demonstration scale fermentation facility located in Okeechobee, Florida.

In January 2016, ExxonMobil Research and Engineering Company entered into an agreement with our subsidiary, REG Life Sciences, LLC ("REG Life Sciences"), to develop technology for the production of biodiesel by fermenting renewable cellulose sugars from sources such as agricultural waste. In October 2016, REG Life Sciences sold and delivered its first commercial product, a specialty fatty acid. REG Life Sciences developed, produced, sold and delivered approximately one metric ton of the renewable, multi-functional chemical to Aroma Chemical Services International. Fatty acids is one of three product areas REG Life Sciences has focused on, along with esters and alcohols. In November 2016, the Company's Board of Directors authorized a review of strategic alternatives for REG Life Sciences. There can be no assurance that this ongoing strategic review will result in any specific action or transaction or that any action taken or transaction we may enter into will prove to be beneficial to stockholders.

Factors Influencing Our Results of Operations

The principal factors affecting our operations 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 or requirements for the production and use of biomass-based diesel.

Governmental programs favoring biomass-based diesel production and use

Biomass-based diesel has historically been more expensive than petroleum-based diesel, when excluding the value of biomass-based diesel incentives and credits. The biomass-based diesel industry's growth has largely been the result of federal and state programs that require or incentivize biomass-based diesel, which allows biomass-based diesel to compete with petroleum-based diesel on price.

On July 1, 2010, RFS2 was implemented, 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 hydrocarbon diesel RINs meet three categories of an Obligated Party's annual renewable fuel required volume obligation, or RVO —biomass-based diesel, undifferentiated advanced biofuel and undifferentiated renewable fuel. The final RVO targets for the biomass-based diesel volumes for the years 2015 to 2018 and proposal for 2019 as set by the EPA are as follows:

	2015	2016	2017	2018	2019 (proposed)
Biomass-based diesel	1.73 billion gallons	1.90 billion gallons	2.00 billion gallons	2.1 billion gallons	2.1 billion gallons

Actual production or imports continue to grow as illustrated by the EMTS data notes below:

	2014	2015	2016	Q2 2017 (YTD)
Biomass-based diesel produced and imported	1.75 billion gallons	1.81 billion gallons	2.60 billion gallons	1.13 billion 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 lapsed and been reinstated a number of times. For example, the BTC lapsed on January 1, 2014 and was retroactively reinstated for 2014 on December 19, 2014 and lapsed again on January 1, 2015. On December 18, 2015, the Protecting Americans from Tax Hikes Act of 2015 was signed into law, which reinstated and extended a set of tax provisions, including the retroactive reinstatement for 2015 and extension for 2016 of the BTC. The BTC again lapsed on January 1, 2017 and has not been reinstated as of the date of this report. During the six months ended June 30, 2017, the Company recognized \$26.7 million as BTC revenue out of the \$26.9 million deferred BTC revenue that was outstanding as of December 31, 2016.

When the BTC has lapsed in the past, it has been reinstated by Congress. 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. As of June 30, 2017, we estimate that if the BTC is reinstated on the same terms as in 2016, our net income and Adjusted EBITDA for the quarter and year to date ended June 30, 2017 will increase by approximately \$58 million and \$98 million, respectively. It is

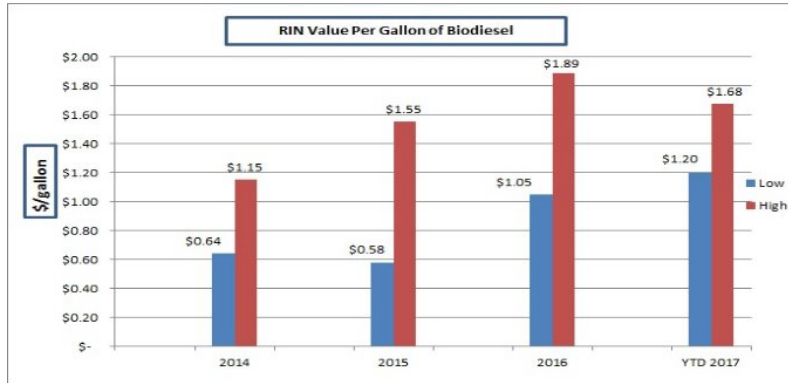
uncertain whether the BTC will be reinstated and if reinstated, whether it would be reinstated retroactively or on the same terms. The modification or failure to reinstate the BTC would adversely affect our future financial results.

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 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 biomass-based diesel pricing. The following table shows for 2014, 2015, 2016 and the first half of 2017 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.



Value of RINs acquired from third parties and held in inventory remained fairly stable in the first half of 2017 and resulted in a \$0.4 million write-down to lower of cost or net realizable value for the first six months of 2017. At June 30, 2017, the write-down to lower of cost or net realizable value of RINs was \$0.2 million. See "Note 5 – Other Assets" to our Condensed Consolidated Financial Statements. We enter into forward contracts to sell RINs and we use risk management position limits to manage RIN exposure.

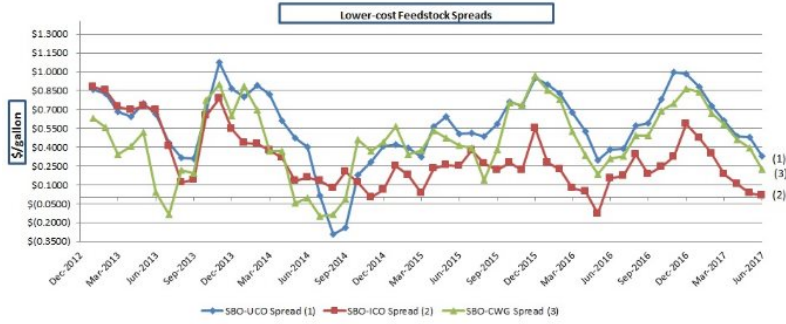
During 2016, feedstock expense accounted for 78% of our production cost, while methanol and chemical catalysts expense accounted for 5% and 3% of our costs of goods sold, respectively.

Feedstocks for biomass-based diesel production, such as inedible 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 fuels. The following table outlines some of the factors influencing supply and price for each feedstock:

Factors Influencing Supply and Price	Feedstock				
	Inedible Corn Oil	Used Cooking Oil	Inedible Animal Fat	Canola Oil	Soybean Oil
Demand for inedible corn oil from renewable fuel and other markets	<input checked="" type="checkbox"/>				
Ethanol production	<input checked="" type="checkbox"/>				
Export demand	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Extraction system yield	<input checked="" type="checkbox"/>				
Implementation of inedible corn oil separation systems into existing and new ethanol facilities	<input checked="" type="checkbox"/>				
Implementation of co-located biodiesel/renewable diesel plants with ethanol facilities	<input checked="" type="checkbox"/>				
Feed demand	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
New or expected biodiesel capacity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Weather conditions	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Biomass-based diesel demand	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Population		<input checked="" type="checkbox"/>			
Number of restaurants in the vicinity of collection facilities and terminals which is dependent on population density		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Cooking methods and eating habits, which can be impacted by the economy		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Number of slaughter kills in the United States			<input checked="" type="checkbox"/>		
Demand for inedible animal fat from other markets			<input checked="" type="checkbox"/>		
Demand for canola oil for food use				<input checked="" type="checkbox"/>	
Canola crush margin				<input checked="" type="checkbox"/>	
Canola meal demand				<input checked="" type="checkbox"/>	
Crop disease				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Palm oil supply				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Soybean meal demand					<input checked="" type="checkbox"/>
South American crop production					<input checked="" type="checkbox"/>
Farmer planting decisions				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Government policies and subsidies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

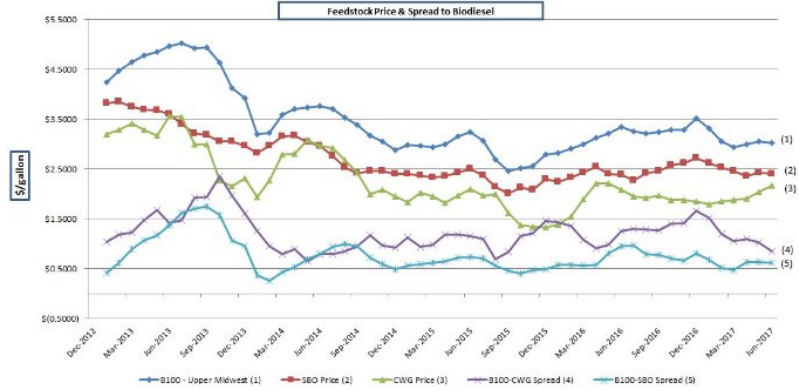
During 2016, 72% of our feedstocks were comprised of inedible corn oil, used cooking oil and inedible animal fats with the remainder coming from refined vegetable oils.

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 a lower-cost feedstock from January 2013 to June 30, 2017. 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 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) Inedible corn oil 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 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) 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).

Historically, our results of operations generally 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 2013 to June 30, 2017 .



- (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 the second quarter of 2017, NY Harbor ULSD prices ranged from a high of \$1.6506 per gallon in April to a low of \$1.3648 per gallon in June with the average price for the quarter of \$1.5062 per gallon. Energy prices were range bound throughout second quarter 2017. European UCOME prices remained relatively flat for second quarter 2017 as demand was impacted by biodiesel imports from China and Southeast Asia. Feedstock supplies were larger than prior year, which were offset by strong demand that drove pricing higher. More recent soybean oil prices have been trending higher due to declines in soybean crop conditions caused from hot and dry weather patterns across major growing regions in the Midwest. The soybean oil price increase has been limited by a larger current inventory of soybeans and increasing palm oil production in Southeast Asia. Relatively low priced feed cost along with continued strong demand for pork and beef has continued to lead to expansions in the US hog and cattle industries. Both hog and cattle slaughter numbers in the second quarter of 2017 were again higher than the prior year.

In March 2017, the National Biodiesel Fair Trade Coalition ("Coalition") filed an antidumping and countervailing duty petition with the U.S. Department of Commerce and the U.S. International Trade Commission ("ITC"), arguing that Argentine and Indonesian companies were violating trade laws by flooding the U.S. market with dumped and subsidized biodiesel. The Coalition is made up of the National Biodiesel Board and U.S. biodiesel producers. On May 5, 2017, the ITC agreed to proceed with an investigation regarding this matter. In relation to this antidumping and countervailing duty petition, the Coalition filed a new allegation in July 2017 that "critical circumstances" exist with respects to imports of biodiesel from Argentina. The critical circumstance provision in antidumping and countervailing duties laws allows for the imposition of duties on imports that enter the U.S. prior to preliminary determinations of subsidization and dumping. The Coalition found that imports of biodiesel from Argentina jumped 144.5 percent since the March 2017 petition was filed.

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, including 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.

Inedible corn oil, used cooking oil, inedible animal fat, canola oil and soybean oil were the primary feedstocks we used to produce biomass-based diesel in 2016 and the first six months of 2017. 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 inedible 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 market for biomass-based diesel futures 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 established futures market for 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.

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. 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 resulting in the offsetting gain or loss that will be recognized in a later accounting period.

We recorded risk management gains of \$9.8 million and \$18.0 million from our derivative financial instrument activity for the three and six months ended June 30, 2017, respectively, compared to losses of \$30.5 million and \$34.8 million for the three and six months ended June 30, 2016, respectively. Changes in the value of these futures, swaps or options instruments are recognized in current income or loss.

Seasonality

Our operating results are influenced by seasonal fluctuations in the demand for biodiesel. Our biodiesel sales tend to decrease during the winter season due to blending concentrations being reduced 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 or lower cloud point biodiesel made from soybean oil, canola oil or inedible 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 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 states 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, thus allowing the product to have 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 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 decrease as the calendar year progresses if the RIN market is oversupplied compared to that year's RVO and increase if it is undersupplied. See chart below for comparison between actual RIN generation and RVO level for biomass-based diesel as set by the EPA.

Year	RIN Generation (D4 Biomass-based Diesel)	Finalized RVO level for D4 Biomass-based Diesel
2014	1.75 billion gallons	1.63 billion gallons
2015	1.81 billion gallons	1.73 billion gallons
2016	2.60 billion gallons	1.90 billion gallons

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, was 2.60 billion gallons for 2016, 790 million gallons higher than 2015. In the first half of 2017, according to EMTS data, 1.13 billion gallons of biomass-based diesel were produced and/or imported into the U.S., compared to the equivalent 1.07 billion gallons over the same period in 2016.

During 2016 and 2015, the amount of imported biodiesel gallons qualifying under RFS2 in the D4 biomass-based diesel category increased from 334.2 million gallons in 2015 to approximately 692.9 million gallons in 2016, according to the information from the EIA.

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 have disclosed under the heading "Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2016 the critical accounting policies which materially affect our financial statements. There have been no material changes from the critical accounting policies previously disclosed other than those noted below. You should carefully consider the critical accounting policies set forth in our Annual Report on Form 10-K along with information described below.

Accounting for 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 Notes").

The convertible debt conversion liability is accounted for as a derivative that is adjusted for based on its fair value at reporting dates. The fair value of the convertible debt conversion liability is estimated using the Black-Scholes model incorporating the terms and conditions of the 2036 Convertible Notes and considering, for example, changes in the prices of our common stock, our stock price volatility, risk-free rates and changes in market rates.

The valuations are, among other things, subject to changes in our credit worthiness as well as changes in general market conditions. As such, the change in any given period may be material.

Revenue recognition

Effective January 1, 2018, we will be required to adopt the new guidance of ASC Topic 606, Revenue from Contracts with Customers (Topic 606), which will supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition. Topic 606 requires us to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance requires us to apply the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, we satisfy a performance obligation. We will be required to adopt Topic 606 either on a full retrospective basis to each prior reporting period presented or on a modified retrospective basis with the cumulative effect of initially applying the new guidance recognized at the date of initial application. We will adopt Topic 606 on a modified retrospective basis and will be required to provide additional disclosures of the amount by which each financial statement line item is affected in the current reporting period, as compared to the guidance that was in effect before the change, and an explanation of the reasons for significant changes. The adoption of this new guidance will require expanded disclosures in our consolidated financial statements. We have established a cross-functional implementation team consisting of representatives from all of its business segments. Initial impact assessment also indicates that the majority of our contracts will continue to be recognized at a point in time and that the number of performance obligations and the accounting for variable consideration are not expected to be significantly different from current practice.

Results of Operations

Three and six months ended June 30, 2017 and 2016

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

	Three Months Ended June 30,		Six Months Ended June 30,					
	2017	2016	2017	2016				
Gallons sold		160.2		150.1	282.3	248.0		
Average B100 price per gallon	\$	2.86	\$	3.27	\$	2.90	\$	3.11
Revenues	\$	535,103	\$	558,301	\$	953,996	\$	856,172
Cost of goods sold		504,990		533,439		906,600		813,927
Gross profit		30,113		24,862		47,396		42,245
Selling, general and administrative expenses		22,812		20,850		45,719		40,626
Research and development expense		3,181		4,427		6,779		8,353
Income (loss) from operations		4,120		(415)		(5,102)		(6,734)
Other income (expenses), net		(36,969)		9,425		(42,586)		9,584
Income tax expense		(1,960)		(1,296)		(3,035)		(2,024)
Net income (loss)		(34,809)		7,714		(50,723)		826
Less: Net income attributable to noncontrolling interest		—		108		—		138
Net income (loss) attributable to the Company		(34,809)		7,606		(50,723)		688
Effect of participating share-based awards		—		(161)		—		(12)
Net income (loss) attributable to the Company's common stockholders	\$	(34,809)	\$	7,445	\$	(50,723)	\$	676

Revenues. Our revenues decreased \$23.2 million, or 4%, in the three months ended June 30, 2017, but increased \$97.8 million, or 11%, for the six months ended June 30, 2017 as compared to the three and six months ended June 30, 2016. The decrease in revenues for the second quarter was primarily due to lower average selling price, coupled with the impact of the lapse of the BTC on January 1, 2017 and higher imported gallons compared to the second quarter of 2016. The absence of the BTC revenues resulted in a decrease of \$86.3 million and \$127.8 million, or 89% and 82%, respectively, in government incentive revenues in the three and six months ended June 30, 2017 compared to the same periods in 2016. The increase in revenues for the first half of 2017 was largely driven by an increase in total gallons sold compared to prior year, which resulted from an increase in RHD gallons sold and the impact of distillation upgrades completed in 2016 at the Danville, Illinois biorefinery.

Biomass-based diesel revenues including government incentives decreased \$23.2 million, or 4%, over the same quarter last year, but increased by \$97.0 million, or 11%, for the six months ended June 30, 2017. Gallons sold in the second and first half of 2017 increased by 10.1 million gallons and 34.3 million gallons, or 7% and 14%, respectively. Our average B100 sales price per gallon decreased \$0.41 and \$0.21, or 13% and 7%, respectively, for the three and six months ended June 30, 2017, compared to \$3.27 and \$3.11 for the three and six months ended June 30, 2016, respectively. The fluctuations in average sales price contributed to a \$61.5 million and \$52.1 million decrease in revenues for the three months ended June 30, 2017, respectively, when applied to the number of gallons sold during the same periods of 2016. The increase in gallons sold for the three and six months ended June 30, 2017 accounted for a revenue increase of \$28.9 million and \$99.5 million, respectively for the three and six months ended June 30, 2017, using pricing for the same periods of 2016. Sales of separated RIN inventory were \$67.3 million and \$124.7 million for the three and six months ended June 30, 2017, respectively, as compared to \$60.8 million and \$86.6 million for the three and six months ended June 30, 2016, respectively.

Costs of goods sold. Our costs of goods sold decreased \$28.4 million, or 5%, for the second quarter, but increased \$92.7 million, or 11%, in the six month period. Costs of goods sold as a percentage of revenues were 94% and 95%, respectively, for the three and six months ended June 30, 2017 and 95% for both three and six months ended June 30, 2016. The slight decrease in cost of goods sold as a percentage of revenues during the three ended June 30, 2017 was primarily due to feedstock prices trending lower.

Biomass-based diesel costs of goods sold also increased in the three and six months ended June 30, 2017 due to a 7% and 14% increase in gallons sold, respectively. Average prices for lower-cost feedstocks were \$0.29 per pound for the three and six months ended June 30, 2017, as compared to \$0.30 and \$0.27 per pound for the three and six months ended June 30, 2016. Soybean oil costs were \$0.31 and \$0.32 per pound for the three and six months ended June 30, 2017, respectively, as compared to \$0.33 per pound for the three and six months ended June 30, 2016. Canola oil costs were \$0.33 and \$0.34 per pound for the three and six months ended June 30, 2017, respectively, as compared to \$0.33 per pound for the three and six months ended June 30, 2016. We recorded risk management gains of \$9.8 million and \$18.0 million from our derivative financial instrument activity for the three and six months ended June 30, 2017, respectively, compared to risk management losses of \$30.5 million and \$34.8 million for the three and six months ended June 30, 2016, respectively. The fluctuation in risk management gains and losses was mainly due to price volatility in the energy markets. Costs of goods sold for separated RIN inventory sales were \$33.9 million and \$80.5 million for the three and six months ended June 30, 2017 and \$61.2 million and \$87.7 million for the three and six months ended June 30, 2016, respectively. Lower of cost or net realizable value writedown on RINs was \$0.3 million and \$0.4 million and \$4.2 million and \$4.4 million during the three and six months ended June 30, 2017 and June 30, 2016, respectively. Biomass-based diesel costs of goods sold for the three months ended June 30, 2017 also included a loss of \$4.0 million as a result of the land purchase and lease termination transactions at our Geismar facility in June 2017.

Selling, general and administrative expenses. Our selling, general and administrative, or SG&A, expenses were \$22.8 million and \$45.7 million, or 4% and 5% of total revenue, for the three and six months ended June 30, 2017 and \$20.9 million and \$40.6 million, or 4% and 5% of total revenue, for the three and six months ended June 30, 2016, respectively. This represents an increase of \$2.0 million and \$5.1 million, or 9% and 13%, respectively, over the same respective periods of last year. The increase year over year was primarily due to increases in employee related expenses, such as payroll and stock compensation, associated with growth, international expansion and integration of our European operations.

Research and development expense. Our research and development expenses were \$3.2 million and \$6.8 million for the three and six months ended June 30, 2017, compared to \$4.4 million and \$8.4 million for the three and six months ended June 30, 2016, respectively. The majority of the research and development expenses were related to activities of the Renewable Chemicals segment, which is seeking to bring industrial biotechnology products to market and drive growth.

Other income (expense), net. Other expense was \$37.0 million and \$42.6 million for the three and six months ended June 30, 2017 compared to other income of \$9.4 million and \$9.6 million for the same periods in 2016. Other income (expense) is primarily comprised of change in value of contingent consideration, change in fair value of convertible debt conversion liability, interest expense, interest income and the other non-operating items. Other income (expense), net for the three and six months ended June 30, 2016 also included a gain on involuntary conversion, which represented the amount of insurance proceeds in excess of the net book value of the property damage recorded by us related to the April 2015 fire at our Geismar facility. Our insurance policies cover replacement costs incurred to replace the property damaged by the fire.

Income tax expense. We recognized an income tax expense of \$2.0 million and \$3.0 million for the three and six months ended June 30, 2017 as compared to tax expense of \$1.3 million and \$2.0 million for the same periods in 2016. Our tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items arising in that quarter. Our effective tax rate differs from the statutory tax rate primarily due to the fact that we have a valuation allowance on our domestic deferred tax assets and most of our foreign deferred tax assets.

Adjusted EBITDA

We use earnings before interest, taxes, depreciation and amortization, adjusted for certain additional items, identified in the table below, or Adjusted EBITDA, as a supplemental performance measure. We present Adjusted EBITDA because we believe it assists 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.

The following table provides our Adjusted EBITDA for the periods presented, as well as a reconciliation to net income (loss):

(In thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income (loss)	\$ (34,809)	\$ 7,714	\$ (50,723)	\$ 826
Adjustments:				
Income tax expense	1,960	1,296	3,035	2,024
Interest expense	4,479	3,738	9,015	7,049
Gain on involuntary conversion	—	(997)	—	(4,540)
Other (income) expense, net	(32)	(2,306)	288	(2,218)
Change in fair value of contingent liability	(24)	3,571	565	3,556
Change in fair value of convertible debt conversion liability	32,546	(13,432)	32,718	(13,432)
Loss on the Geismar lease termination	3,967	—	3,967	—
Impairment of assets	1,341	—	1,341	—
Straight-line lease expense	(85)	(80)	(117)	(174)
Depreciation	8,523	7,824	16,946	15,498
Amortization	149	(134)	276	(274)
Non-cash stock compensation	1,688	858	2,996	1,934
Adjusted EBITDA	\$ 19,703	\$ 8,052	\$ 20,307	\$ 10,249

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 for capital assets 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 the industry, may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

Liquidity and Capital Resources

Sources of liquidity. At June 30, 2017, the total of our cash and cash equivalents was \$87.6 million, compared to \$116.2 million at December 31, 2016. At June 30, 2017, we had total assets of \$1,060.5 million, compared to \$1,136.6 million at December 31, 2016. At June 30, 2017, we had term debt before debt issuance costs of \$215.3 million, compared to term debt of \$217.9 million at December 31, 2016. The debt is subject to various financial covenants. We were in compliance with all restrictive financial covenants associated with the borrowings as of June 30, 2017.

Our term debt (in thousands) is as follows:

	June 30, 2017	December 31, 2016
4.00% Convertible Senior Notes, \$152,000 face amount, due in June 2036	\$ 114,842	\$ 113,446
2.75% Convertible Senior Notes, \$73,838 face amount, due in June 2019	68,544	67,254
REG Danville term loan, secured, variable interest rate of LIBOR plus 4%, due in December 2017	7,100	8,163
REG Newton term loan, secured, variable interest rate of LIBOR plus 4%, due in December 2018	10,808	13,063
REG Mason City term loan, fixed interest rate of 5%, due in July 2019	1,751	2,659
REG Ames term loans, secured, fixed interest rates of 3.5% and 4.25%, due in January 2018 and December 2019, respectively	3,392	3,565
REG Grays Harbor term loan, variable interest of minimum of 3.5% or Prime Rate plus 0.25%, due in May 2022	8,467	9,273
Other	433	468
Total term debt before debt issuance costs	\$ 215,337	\$ 217,891

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

	June 30, 2017	December 31, 2016
Amount outstanding under lines of credit	\$ 69.2	\$ 52.8
Maximum available to be borrowed under lines of credit	31.0	100.2

A full description of our credit facilities and other agreements related to our outstanding indebtedness is included under the heading "Liquidity and Capital Resources" in our Annual Report on Form 10-K for the year ended December 31, 2016.

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 allows REG Ralston to borrow up to \$20.0 million during the construction period at REG Ralston and convert it into an amortizing term debt thereafter. The loan has a maturity date of October 19, 2025. The loan requires monthly principal payments after the construction period and interest to be charged using prime rate plus 0.5% per annum. The loan agreement contains various loan covenants. At June 30, 2017, we have not made any borrowings under this Construction Loan Agreement.

Cash flows. The following table presents information regarding our cash flows and cash and cash equivalents for the six months ended June 30, 2017 and 2016 (in thousands):

	Six Months Ended June 30,	
	2017	2016
Net cash flows used in operating activities	\$ (1,486)	\$ (6,540)
Net cash flows used in investing activities	(32,371)	(38,520)
Net cash flows from financing activities	3,984	71,744
Net change in cash and cash equivalents	(29,873)	26,684
Cash and cash equivalents, end of period	\$ 87,591	\$ 74,078

In the first six months of 2017, we used \$1.5 million of cash in operations. We received approximately \$85.8 million from the 2016 BTC receivable, of which \$2.1 million was paid to our vendors and customers. This compares to the first six months of 2016 BTC receipts of \$242.1 million. In addition during the first half of 2017, approximately \$50.9 million of operating cash was used to build up our other assets, including RINs inventory. Our net cash flows used in investing activity was impacted by the release of our restricted cash related to our petroleum-based sales and Geismar land purchase and payments of \$32.0 million for our continued investments in our plant and office facilities. Financing activities were impacted

by our repayments under the Danville and Newton borrowings, together with contingent consideration payments made related to our past acquisitions.

Capital expenditures. We have three partially constructed plants, one near New Orleans, Louisiana, one in Emporia, Kansas, one in Clovis, New Mexico and a non-operational plant near Atlanta, Georgia. We expect additional investments of approximately \$165 million to \$270 million in the aggregate, excluding working capital requirements, would be required before these plants would be able to commence production. These facilities would add an expected 150 mmy to our nameplate production capacity. Our Clovis plant is currently being operated as a terminal facility. We plan to make significant capital expenditures when debt or equity financing becomes available to complete construction of these four facilities.

During the six months ended June 30, 2017, our capital expenditures were \$32.0 million from various projects, the majority of which were at facilities such as New Boston, Madison, Seneca, Geismar and Ralston. 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 has leased for its operations that was terminated by this acquisition, as well as more than 61 adjacent acres, which we plan to improve and utilize to support existing production capacity and future expansion opportunities. During 2016, our capital expenditures were \$60.7 million, including \$13.9 million towards the planned \$34.5 million upgrade to our Danville facility and \$9.1 million in repairs and upgrades to bring our Geismar facility back on-line in March 2016. Our budgeted capital expenditures for the remainder of 2017 are approximately \$30 million to \$40 million, including repairs and upgrades to the Madison facility following the fire at that facility in June 2017 and upgrades to the Ralston, Geismar and Grays Harbor facilities, among others.

We continue to be in discussions with lenders in an effort to enter into equity and debt financing arrangements to meet our projected financial needs for facilities under construction and capital improvement projects for our operating facilities. Since these discussions are ongoing, we are uncertain when or if financing will be available. The financing may consist of common or preferred stock, debt, project financing or a combination of these financing techniques. Additional debt would increase our leverage and interest costs and would likely be secured by certain of our assets. Additional equity or equity-linked financings would likely have a dilutive effect on our existing and future stockholders. It is likely that the terms of any project financing would include customary financial and other covenants on our project subsidiaries, including restrictions on the ability to make distributions, to guarantee indebtedness and to incur liens on the plants of such subsidiaries.

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 the Company, refer to "Note 2 – Summary of Significant Accounting Policies" to our Condensed Consolidated Financial Statements.

ITEM 3. 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 2013 through June 30, 2017, average diesel prices based on Platts reported pricing for Group 3 (Midwest) have ranged from a high of approximately \$3.30 per gallon reported in January 2013 to a low of approximately \$0.85 per gallon in January 2016, with prices averaging \$2.12 per gallon during this period. Over the period January 2013 to June 30, 2017, 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 \$0.5311 per pound, or \$3.98 per gallon of biodiesel, in February 2013 to a low of \$0.2605 per pound, or \$1.95 per gallon, in September 2015 assuming 7.5 pounds of soybean oil yields one gallon of biodiesel with closing sales prices averaging \$0.3611 per pound, or \$2.71 per gallon. Over the period from January 2013 through June 30, 2017, animal fat prices (based on prices from The Jacobsen Missouri River, for choice white grease) have ranged from a high of \$0.4625 per pound in June 2013 to a low of \$0.1600 per pound in December 2015, with sales prices averaging \$0.2822 per pound during this period. Over the period from July 2013 through June 30, 2017, RIN prices (based on

prices from OPIS) have ranged from a high of \$1.47 in July 2013 to a low of \$0.24 in November 2013, with sales prices averaging \$0.77 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 the first half of 2017. 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:

	First half of 2017 Volume (in millions)	Units	Hypothetical Adverse Change in Price		Impact on Annual Gross Profit (in millions)	Percentage Change in Gross Profit
Total Biodiesel	282.3	gallons	10%	\$	(78.8)	(250.3)%
Total Lower Cost Feedstocks	1,178.1	pounds	10%	\$	(33.8)	(107.5)%
Total Canola Oil	287.5	pounds	10%	\$	(9.8)	(31.1)%
Total Soy Oil	110.2	pounds	10%	\$	(3.5)	(11.1)%

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, such as inedible animal fat and inedible corn oil 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; 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. A 10% adverse change in the prices of NYMEX NY Harbor ULSD would have had a negative effect on the fair value of these instruments of \$10.8 million at June 30, 2017. A 10% adverse change in the price of CBOT Soybean Oil would have had below \$0.2 million negative effect on the fair value of these instruments of at June 30, 2017.

Interest Rate Risk

Our weighted average interest rate on variable rate debt balances for the six months ended June 30, 2017 was 3.52%. 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.

ITEM 4. 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 as of the end of the period covered by this report, June 30, 2017. In connection with our evaluation of disclosure controls and procedures, we have concluded that our disclosure controls and procedures were effective as of June 30, 2017.

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 June 30, 2017. 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.

Changes in Internal Control over Financial Reporting

There have been no changes during our quarter ended June 30, 2017 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not a party to any material pending legal proceeding, nor is any of our property the subject of any material pending legal proceeding, except ordinary routine litigation arising in the ordinary course of our business and incidental to our business, none of which is expected to have a material adverse impact upon our business, financial position or results of operations.

ITEM 1A. RISK FACTORS

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

RISKS RELATED TO FEDERAL AND STATE INCENTIVES

RFS2: The elimination or abatement of federal governmental requirements for the use of biofuels could have a material adverse effect on our revenues and operating margins.

The biomass-based diesel industry relies substantially on federal programs requiring the consumption of biofuels. Biomass-based diesel has historically been more expensive to produce than petroleum-based diesel fuel, and governmental programs support a market for biomass-based diesel that might not otherwise exist.

We believe the Renewable Fuel Standard Program is the most important of these government programs in the United States. Under this program, the EPA promulgated a regulation commonly known as RFS2, which became effective on July 1, 2010 and applies through 2022. RFS2 requires consumption of biomass-based diesel fuel, including biodiesel and renewable hydrocarbon diesel, at specified volumes, known as renewable volume obligations ("RVO").

Under RFS2, the EPA is required to set the RVO annually based on a variety of considerations. Over the past several years, the EPA has set the minimum annual consumption volume at increasing levels from 1.28 billion gallons in 2013 to 1.90 billion gallons in 2016. For 2017, the EPA set the minimum annual consumption volume at 2.00 billion gallons and has set 2.10 billion gallons as the minimum annual consumption volume for 2018 and recently proposed the same for 2019.

We believe that much of the increase in demand for our biomass-based diesel since July 2010 is attributable to, and accelerated by, the existence and implementation of RFS2. In addition, we believe that biomass-based diesel prices have received significant support from RFS2 since July 2010.

State requirements and incentives for the use of biofuels increase demand for our biomass-based diesel within such states, but such state requirements and incentives do not increase overall demand for biofuels in excess of RFS2 requirements. Rather, we believe state requirements and tax incentives influence where petroleum refiners and petroleum fuel importers choose to consume the volume requirements established by the EPA under RFS2.

The United States Congress could repeal, curtail or otherwise change RFS2 in a manner adverse to us. Similarly, the EPA could curtail or otherwise change RFS2 in a manner adverse to us, including reducing the RVO to the statutory minimum level of 1 billion gallons. The petroleum industry has generally been opposed to RFS2 and is expected to continue to press for changes that eliminate or reduce its impact. We cannot predict what changes will be instituted by the new administration. It is possible, however, that future government proposals to reduce or eliminate budgetary deficits may include reduced allocations to the EPA and other agencies, or abolish such agencies and any programs thereunder entirely and may adversely affect our business and other businesses within our industry. New legislation, or a significant change in rules, regulations, directives or standards could reduce demand for our products and services, and/or increase expenses, which could have a material adverse effect on our business, financial condition and results of operations.

Any repeal or reduction in the RFS2 requirements or reinterpretation of RFS2 resulting in our biomass-based diesel failing to qualify as a required fuel would materially decrease the demand for and price of our biomass-based diesel, which would materially and adversely affect our revenues and cash flows.

The EPA announced in its most recent proposal that it has directed staff to begin technical analysis to inform a future reset rulemaking action as the "re-set" rules under the RFS for the advanced biofuel volume have been below the statutory level for two years. The EPA also proposed no increase in the biomass-based diesel RVO for the first time and proposed a reduction in the overall advanced biofuels RVO. We are concerned these proposals may indicate a negative view of advanced biofuels by EPA and that if this view is correct and EPA begins a process of reducing the advanced biofuel RVO and/or biomass-based diesel RVO, that such changes would be expected to harm our business and profitability.

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

Federal and state tax incentives have historically aided the biomass-based diesel industry. Prior to the 2010 implementation of RFS2, the biomass-based diesel industry relied principally on tax incentives to make the price of biomass-based diesel more cost competitive with the price of petroleum-based diesel fuel to the end user.

Federal

Biodiesel Tax Credit

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 entity to first blend pure biomass-based fuel, or B100, 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, the BTC was reinstated on December 18, 2015, covering 2015 retroactively and 2016 prospectively. But it lapsed again on January 1, 2017, and we are currently operating without the benefit of the BTC. In the past when the BTC has lapsed, we and others in the industry have operated without any assurance that a reinstatement would cover the lapsed period retroactively. There is no assurance that the BTC will be reinstated or, if reinstated, that its application will be retroactive, prospective or both.

Unlike RFS2, the BTC has a direct effect on federal government spending and could be changed or eliminated as a result of changes in the federal budget policy. We cannot predict what action, if any, Congress or the new administration may take with respect to the BTC or whether such action would apply retroactively or prospectively. If the BTC is not reinstated, demand for our biomass-based diesel and the price we are able to charge for our product may decline significantly, harming revenues and profitability.

In addition, uncertainty regarding the extension or reinstatement of the BTC has caused, and may in the future cause, fluctuations in our operating results. Historically, sales have increased shortly before the BTC lapses and then decreased shortly thereafter. For example, when the BTC was scheduled to expire on December 31, 2011, production and sales industry-wide accelerated in the fourth quarter of 2011, but declined in the first quarter of 2012, after the BTC lapsed. We believe reduced demand in the first quarters of 2014 and 2015 also resulted from the lapsing of the BTC at the end of 2013 and 2014, respectively. Similarly, we believe that the lapsing of the BTC on January 1, 2017 caused an acceleration of revenues in the fourth quarter of 2016.

When the BTC lapsed in the past, it has been retroactively reinstated by Congress. 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. As of June 30, 2017, we estimate that if the BTC is reinstated on the same terms as in 2016, our net income and Adjusted EBITDA will increase by approximately \$58 million and \$98 million for the three and six months ended June 30, 2017, respectively, from the BTC retroactive reinstatement. It is uncertain whether the BTC will be reinstated and if reinstated, whether it would

be reinstated retroactively or on the same terms. The lapsing or modification of the BTC would adversely affect our future financial results.

State

Several states have enacted tax incentives for the use of biodiesel and/or biomass-based diesel. For example, we derive a significant portion of our revenues from operations in the State of Illinois. Illinois has a generally applicable 6.25% sales tax, but offers a 100% exemption from this tax for a blend of fuel that consists of 11% biodiesel (B11) or more, and this sales tax exemption has recently been extended to December 31, 2023.

State budget or other considerations could cause the modification or elimination of the tax incentive programs of Illinois and other states, such as California's Low Carbon Fuel Standard ("LCFS").

The California Low Carbon Fuel Standard, or LCFS, is 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 fuel provider, generally the fuel's producer or importer "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. This obligation is tracked through credits and deficits. Fuels with a CI score lower than the annual standard earn a credit, and fuels that are higher than the standard result in a deficit. Credits can be traded between Regulated Parties. We receive LCFS credits when we sell qualified biomass-based diesel in California. Prices for LCFS credits ranged from \$56 per metric ton to \$129 per metric ton in 2016.

The abatement or elimination of such incentives could materially and adversely affect our revenues and profitability.

Increased industry-wide production of biomass-based diesel, including as a result of existing excess production capacity, could harm our financial results.

If the volume of excess biomass-based diesel RINs exceeds the volume mandated for use under RFS2, the demand for and price of our biomass-based diesel, and biomass-based diesel RINs may be reduced, which could adversely affect our revenues and cash flows.

According to the National Biodiesel Board ("NBB"), as of May 6, 2016, 3.0 billion gallons per year of biodiesel production capacity in the United States was registered under the RFS2 program by NBB members. In addition to this amount, several hundred million more gallons of U.S. based biomass-based diesel production capacity was registered by non-NBB members and another 4.5 billion gallons of biomass-based diesel production was registered by foreign producers. The annual production capacity of existing plants and plants under construction far exceeds both historic consumption of biomass-based diesel in the United States and required consumption under RFS2. If this excess production capacity was fully utilized for the U.S. market, it would increase competition for our feedstocks, increase the volume of biomass-based diesel on the market and may reduce biomass-based diesel gross margins, harming our revenues and profitability.

Increased biomass-based diesel production may result in the generation of RINs in excess of the volume of RINs mandated for consumption under RFS2. RIN prices can be expected to decrease as the calendar year progresses if the RIN market is oversupplied compared to that year's RVO. For example, in 2012, which had a RVO for biomass-based diesel of one billion gallons, biomass-based diesel RIN prices, as reported by OPIS, began to decrease in September when biomass-based diesel RIN generation neared the equivalent of 900 million gallons, as reported by EMTS. Similarly, in September of 2013 when biomass-based diesel RIN generation reached approximately 960 million gallons compared to a 2013 biomass-based diesel RVO of 1.28 billion gallons, biomass-based diesel RIN prices, as reported by OPIS, began to decline.

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

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 influenced by the price of petroleum-based diesel fuel, adjusted for government incentives supporting renewable fuels, rather than biomass-based diesel production costs. If there is a lack of close correlation between production costs and biomass-based diesel prices, 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 a result of a reduction in biomass-based diesel and RIN 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 average price at which we sold our biomass-based diesel decreased from \$3.27 per gallon in the second quarter of 2016 to \$2.86 per gallon in the second quarter of 2017. 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 RINs. RIN prices as reported by OPIS ranged from \$0.80 to \$1.12 per RIN during the first half of 2017 while in 2016, RIN prices started the year at \$0.75 per RIN and climbed to a high of \$1.26 in December. RIN prices ended 2016 at \$1.05 per RIN. In other years there was more significant volatility in RIN prices. In 2013, RIN prices decreased sharply from \$1.09 per RIN on July 1, 2013 to \$0.35 per RIN on December 31, 2013. 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 price we are able to charge 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. 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 these emerging technologies compete with biomass-based diesel for feedstocks, are more profitable or have greater governmental support than biomass-based diesel.

At elevated feedstock price levels, certain feedstocks may be uneconomical to use, as we may be unable to pass feedstock cost increases on to our customers. In addition, we generally are unable to enter into forward contracts at fixed prices for some of our feedstocks, such as animal fat, because markets for these feedstocks are less developed.

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 100% pure biodiesel ("B100") as reported by The Jacobsen Publishing Company, and the price per gallon for the amount of choice white grease, a common inedible animal fat used by us to make biomass-based diesel, was \$1.09 in 2015, \$1.28 in 2016 and \$1.94 in the first half of 2017, 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 biomass-based, based on the nearby futures contract as reported on the Chicago Board of Trade, was \$0.58 in 2015, \$0.73 in 2016 and \$0.60 in the first half of 2017, assuming 7.5 pounds of soybean oil yields one gallon of biomass-based. For the periods from 2014 to 2016, approximately 85%, 85% and 72%, respectively, of our annual total feedstock usage was inedible corn oil, used cooking oil or inedible animal fat, and approximately 15%, 15% and 28%, respectively, was virgin vegetable oils.

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 inedible 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 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"), accounted for 8% of our revenues in the first half of 2017, 2016 and 2015, respectively. Our revenues from Pilot generally do not include the RINs or LCFS credits associated with the gallons of biomass-based diesel sold to Pilot. The value of those RINs and LCFS credits represented approximately an additional 10%.

9% and 13% of our total sales in the first half of 2017, 2016 and 2015, respectively, based on the OPIS average RIN and LCFS price for the periods. In the event we lose Pilot as a customer or Pilot significantly reduces the volume of biomass-based diesel bought from us, it could be difficult to replace the lost revenues from biomass-based diesel and RINs, 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 other 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, in April 2015 and again in September 2015, we experienced fires at our Geismar facility. In the April fire, two employees were injured. In the September fire, one employee and three contractors were injured. Multiple parties and our subsidiary have been named as a defendant in lawsuits filed by those injured in the fires and these suits allege that injuries resulted from, among other things, our negligence. We may be subject to additional litigation in connection with these incidents. In addition, the Occupational Safety and Health Administration ("OSHA") has issued seven "serious" citations to the Geismar facility, which has implemented abatement actions in accordance with those citations. If OSHA becomes dissatisfied with the abatement implementation, there is a possibility that it could impose additional citations or fines.

As a result of the fires, our Geismar facility was shut down from April 2015 through early March 2016 while repairs and upgrades were completed. Further, our insurance company may dispute coverage and we may incur significant additional costs, including potential liability for damages or injuries, legal expenses and loss of profit, which could seriously harm our results of operations and financial condition.

A majority of our facilities are also located in the Midwest, which is subject to tornado activity. REG Life Sciences' research and development center is in South San Francisco, California, which is subject to earthquakes. In addition, 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. Each of our plants could incur damage from other natural disasters as well. If any of the foregoing events occur, we may incur significant additional costs including, among other things, loss of profits due to unplanned temporary or permanent shutdowns of our facilities, cleanup costs, liability for damages or injuries, legal expenses and reconstruction expenses, which would harm our results of operations and financial condition.

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 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.

Our business is primarily dependent upon two similar products. As a consequence, we may not be able to adapt to changing market conditions or endure any decline in the biomass-based diesel industry.

Our revenues are currently generated almost entirely from the production and sale of biodiesel and renewable hydrocarbon diesel, collectively referred to as biomass-based diesel. Our reliance on biomass-based diesel means that we may not be able to adapt to changing market conditions or to withstand any significant decline in the size or profitability of the biomass-based diesel industry. Historically we were required to periodically idle our plants, particularly during the first quarter of the year due to insufficient demand at profitable price points. If we are required to idle our biomass-based diesel plants in the future or are unable to adapt to changing market conditions, our revenues and results of operations may be materially harmed.

We face competition from imported biodiesel and renewable hydrocarbon diesel, which may reduce demand for biomass-based diesel produced by us and cause our revenues and profits to decline.

Biodiesel and renewable hydrocarbon diesel imports into the United States have increased significantly and compete with biodiesel and renewable hydrocarbon diesel produced in the United States. The imported fuels may benefit from

production incentives or other financial incentives in foreign countries that offset some of their production costs and enable importers to profitably sell biodiesel or renewable hydrocarbon diesel in the United States at lower prices than United States-based biodiesel and renewable hydrocarbon diesel producers. Under RFS2, imported biodiesel and renewable hydrocarbon diesel is eligible and, therefore, competes to meet the volumetric requirements for biomass-based diesel and advanced biofuels. If imports continue to increase, this could make it more challenging for us to market or sell biomass-based diesel in the United States, which would have a material adverse effect on our revenues. In January 2015, the EPA announced the approval for Argentinian biodiesel made from soybean oil to generate RINs. Imported biomass-based diesel that does not qualify under RFS2, also competes in jurisdictions where there are biomass-based diesel blending requirements.

In March 2017, the National Biodiesel Fair Trade Coalition ("Coalition") filed an antidumping and countervailing duty petition with the U.S. Department of Commerce and the U.S. International Trade Commission ("ITC"), arguing that Argentine and Indonesian companies were violating trade laws by flooding the U.S. market with dumped and subsidized biodiesel. The Coalition is made up of the National Biodiesel Board and U.S. biodiesel producers. On May 5, 2017, the ITC agreed to proceed with an investigation regarding this matter. In relation to this antidumping and countervailing duty petition, the Coalition filed a new allegation in July 2017 that "critical circumstances" exist with respects to imports of biodiesel from Argentina. The critical circumstance provision in antidumping and countervailing duties laws allows for the imposition of duties on imports that enter the U.S. prior to preliminary determinations of subsidization and dumping. The Coalition found that imports of biodiesel from Argentina jumped 144.5 percent since the March 2017 petition was filed.

Technological advances and changes in production methods in the biomass-based diesel industry and renewable chemical 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 hydrocarbon diesel 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 and retrofit our plants in order to incorporate new technologies and remain competitive. In order to execute our strategy to expand into the production of renewable chemicals, additional advanced biofuels, next generation feedstocks and related renewable products, we may need to acquire licenses or other rights to technology from third parties. We can provide no assurance that we will be able to obtain such 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 sell biomass-based diesel 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.

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 2015 to mid-2016 we saw huge drops in diesel prices in the US. However, the last half of 2016 diesel started to trend upward. These movements can be drastic and unpredictable. US oil production in the Bakken drives the tank car business. If the production from this area increases, the demand for railcars increase 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.

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 have not generated significant revenues from sales of renewable chemicals to date and we expect to incur additional costs and face significant challenges to develop this business.

In January 2014, we entered the market for renewable chemicals through the acquisition of a development stage company. To date, we have incurred significant costs and have not generated significant revenues from this business. In order to generate revenue from our renewable chemicals, there must be a willing market for the products and we must be able to produce sufficient quantities of our products, which we have not done to date and would not be able to do on our own without incurring significant capital expenditure to build a commercial scale production facility. There are multiple options for how we could pursue generating revenue from our renewable chemicals business. Some options would require additional capital expenditures prior to generating revenue.

In this market, we would still be selling renewable chemicals as an alternative to chemicals currently in use, and in some cases the chemicals that we seek to replace have been used for many years. The potential customers for our renewable chemical products generally have well developed manufacturing processes and arrangements with suppliers of the chemical components of their products and may resist changing these processes and components. These potential customers frequently impose lengthy and complex product qualification procedures on their suppliers. Factors that these potential customers consider during the product qualification process include consumer preference, manufacturing considerations such as process changes and capital, other costs associated with transitioning to alternative components, supplier operating history, regulatory issues, product liability and other factors, many of which are unknown to, or not well understood by, us. Some of our products may also require regulatory registrations and approvals from governmental authorities. The requirements for obtaining regulatory

registrations and approvals may change or may take longer than we anticipate. Satisfying these processes may take many months or years.

If we are unable to convince these potential customers that our products are comparable to the chemicals that they currently use, or that the use of our products produce benefits to them, we will not be successful in these markets and our business will be adversely affected. In addition, in contrast to the tax incentives relating to biofuels, tax credits and subsidies are not currently available in the United States for consumer products or chemical companies who use renewable chemical products. We do not expect meaningful revenue from our sale of renewable chemicals in the near term.

The evaluation of strategic alternatives for our life sciences unit may adversely affect our business and may not result in any specific action or transaction.

In November 2016, we announced that our board of directors had authorized a review of strategic alternatives for our life sciences business to enhance value for stockholders. There can be no assurance that this ongoing strategic review will result in any specific action or transaction or that any action taken or transaction we may enter into will prove to be beneficial to stockholders. In addition, the pendency of this strategic review exposes us to risks and uncertainties, including potential difficulties in retaining and attracting key life sciences employees during the review process, distraction of our management from other important business activities, and potential difficulties in establishing or maintaining relationships between this business unit and third parties, all of which could harm our business.

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 Petrotec, a German biodiesel producer of which we acquired majority ownership during 2014 and full ownership in January 2017, 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. We have no experience operating a biorefinery outside of the United States. 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 restrictions that might restrict or prevent us from repatriating income earned in countries outside the United States;
- 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 biomass-based diesel is dependent on the expansion of related infrastructure which may not occur on a timely basis, if at all, and our operations could be adversely affected by infrastructure limitations or disruptions.

Growth in the biomass-based diesel industry depends on substantial development of infrastructure for the distribution of biodiesel. Substantial investment required for these infrastructure changes and expansions may not be made on a timely basis or at all. The scope and timing of any infrastructure expansion are generally beyond our control. Also, we compete with other biofuel companies for access to some of the key infrastructure components such as pipeline and terminal capacity. As a result, increased production of biomass-based diesel 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 biomass-based diesel, impede delivery of our biomass-based diesel, 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 biomass-based diesel and any infrastructure disruptions could materially harm our business.

Risks related to the potential permanent idling of our facilities.

We perform strategic reviews of our business, which may include evaluating each of our facilities to assess their viability and strategic benefits. As part of these reviews, we may idle--whether temporarily or permanently--development or operations of certain of our facilities in order to reduce participation in markets where we determine that our returns are not acceptable.

We have three partially constructed plants, one near New Orleans, Louisiana, one in Emporia, Kansas and one in Clovis, New Mexico. We also own one non-operational plant near Atlanta, Georgia. If we decide to permanently idle or abandon development of these facilities or any other facilities or assets, we are likely to incur significant cash expenses, as well as substantial non-cash charges for impairment of those assets. In the fourth quarter of 2016, we recorded an impairment charge of \$15.6 million, reflecting the difference between the carrying amount associated with the partially constructed Emporia facility and the estimated salvage value due to competition from foreign, imported product and the unlikely probability of that project being completed in the near term.

We operate in a highly competitive industry and competition in our industry would increase if new participants enter the biomass-based diesel business.

We operate in a very competitive environment. The biomass-based diesel industry is primarily comprised of 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. 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 biomass-based diesel production. Such petroleum refiners include Neste Oil with approximately 882 million gallons of global renewable hydrocarbon diesel production capacity in Asia and Europe and Valero Energy Corporation with its Diamond Green joint venture that operates an approximate 160 million-gallon renewable hydrocarbon diesel plant, which they have recently announced they will be expanding to 275 million gallons per year. These and other competitors that are divisions of larger enterprises may have greater financial resources than we do.

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, 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 financial position.

A volatile regulatory environment, lack of debt or equity investments and volatile biofuel prices and feedstock costs have likely contributed to the necessity of bankruptcy filings by biofuel producers. We may encounter new competition from buyers of distressed biodiesel properties that enter the industry at a lower cost than original plant investors or from competitors consolidating or otherwise growing. Our business has been, and in the future may be, negatively impacted by the industry conditions that influenced the bankruptcy proceedings of other biofuel producers. Our business and prospects may be significantly and adversely affected if we are unable to similarly increase our scale.

Our business is subject to seasonal fluctuations, which are likely to cause our revenues and operating results to fluctuate.

Our operating results 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 obligations. Demand may be higher in the quarters leading up to the expiration of the BTC as customers seek to purchase biodiesel when they can benefit from the agreed upon value sharing of the BTC with producers of biodiesel. Seasonal fluctuation also occurs in the colder months when historically there has been reduced demand for biodiesel in northern and eastern United States markets, which are the primary markets in which we currently operate.

Biodiesel typically has a higher cloud point than petroleum-based 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 result 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 and FDA requirements relating to the Food Safety Modernization Act, 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 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. Recently, the EPA implemented a quality assurance program and 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.

The development of alternative fuels and energy sources may reduce the demand for biodiesel, resulting in a reduction in our revenues and profitability.

The development of alternative fuels, including a variety of energy alternatives to biodiesel has attracted significant attention and investment. Neste Oil operates four renewable hydrocarbon diesel plants: a 300 million gallon per year plant in Singapore, a 300 million gallon per year plant in Rotterdam, Netherlands, and two 60 million gallon per year plants in Porvoo, Finland. In the United States, Diamond Green Diesel, LLC operates a 160 million gallon per year renewable hydrocarbon diesel plant in Norco, Louisiana, which they have recently announced they will be expanding to 275 million gallons per year. Under RFS2, renewable hydrocarbon diesel made from biomass meets the definition of biomass-based diesel and thus is eligible, along with biodiesel, to satisfy the RFS2 biomass-based diesel requirements. Furthermore, under RFS2, renewable hydrocarbon diesel may receive up to 1.7 RINs per gallon, whereas biodiesel currently receives 1.5 RINs per gallon. As the value of RINs increases, this 0.2 RIN advantage may make renewable hydrocarbon diesel more cost-effective, both as a petroleum-based diesel substitute and for meeting RFS2 requirements. If renewable hydrocarbon diesel proves to be more cost-effective than biodiesel, revenues from our biodiesel plants and our results of operations would be adversely impacted.

In addition, the EPA may allow other fuels to satisfy the RFS2 requirements and allow RINs to be generated upon the production of these fuels. The EPA recently adopted regulations to amend the definition of "Home Heating Oil" under RFS2, which expands the scope of fuels eligible to generate RINs.

The biomass-based diesel industry will also face increased competition resulting from the advancement of technology by automotive, industrial and power generation manufacturers which are developing more efficient engines, hybrid engines and alternative clean power systems. Improved engines and alternative clean power systems offer a technological solution to address increasing worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns. If and when these clean power systems are able to offer significant efficiency and environmental benefits and become widely available, the biomass-based diesel industry may not be able to compete effectively with these technologies and government requirements for the use of biofuels may be discontinued.

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

Because it is a relatively new product compared with petroleum diesel, research on biodiesel use in automobiles is ongoing. While most heavy duty automobile manufacturers have approved blends of up to 20% biodiesel, some industry groups have recommended that blends of no more than 5% biodiesel be used for automobile fuel due to concerns about fuel quality, engine performance problems and possible detrimental effects of biodiesel on rubber components and other engine parts. Although some manufacturers have encouraged use of biodiesel fuel in their vehicles, cautionary pronouncements by other manufacturers or industry groups may impact our ability to market our biodiesel.

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

Some people believe that biomass-based diesel may increase the cost of food, as some feedstocks such as soybean oil used to make biomass-based diesel can also be used for food products. 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 would 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 first 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. New technology diesel engines eliminate any such increase. Emissions from older vehicles while the fleet turns over 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 recently adopted regulations that limits 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 hydrocarbon diesel, which would negatively impact our ability to sell our products in such states and therefore have an adverse effect on our revenues and profitability.

RISKS RELATED TO OUR 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 June 30, 2017, our total term debt before debt issuance costs was \$215.3 million. This includes \$114.8 million aggregate carrying value on our \$152.0 million face amount, 4.00% convertible senior notes due in June 2036, which we refer to as the 2036 Convertible Notes, and \$68.5 million aggregate carrying value on our \$73.8 million face value, 2.75% convertible senior notes due in June 2019, which we refer to as the 2019 Convertible Notes. We also have short-term debt obligations under revolving credit agreements provided by certain banks. At June 30, 2017, there were \$69.2 million of borrowings made under our revolving lines of credit. See "Note 7 - Debt" to our Condensed Consolidated Financial Statements for a description of our indebtedness.

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 Notes and 2019 Convertible 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 the 2036 Convertible Notes, the 2019 Convertible Notes or our other existing indebtedness or future indebtedness will depend on the conditions in the capital markets and our financial condition prior to maturity of the indebtedness.

Despite our current indebtedness levels, we may still incur significant additional indebtedness. Incurring more indebtedness could increase the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. As of June 30, 2017, we had \$30.2 million of undrawn availability under our M&L and Services Revolver Revolver, 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 are subject to counterparty risk with respect to the capped call transactions that we entered into in connection with the issuance of our 2019 Convertible Notes.

In connection with the issuance of our 2019 Convertible Notes, we entered into privately-negotiated capped call transactions with various counterparties. The counterparties to the capped call transactions are financial institutions, and we will be subject to the risk that they might default under the capped call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Recent global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If any option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings, with a claim equal to our exposure at that time under our transactions with such option counterparty. Our exposure will depend on many factors, but generally, an increase in our exposure will be correlated to an increase in the market price and volatility of shares of our common stock. In addition, upon a default by any option counterparty, we may suffer more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

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 2019 or 2036 Convertible Notes will have the right to require us to repurchase their 2019 or 2036 Convertible 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 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, upon conversion of the 2019 or 2036 Convertible Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2019 or 2036 Convertible Notes being converted. 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 2019 or 2036 Convertible Notes upon a fundamental change or to settle conversion of the 2019 or 2036 Convertible Notes in cash.

In addition, our ability to repurchase the 2019 or 2036 Convertible Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase 2019 or 2036 Convertible Notes at a time when the repurchase is required by the indenture would constitute a default under the indenture governing the 2019 or 2036 Convertible 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 2019 or 2036 Convertible Notes could delay or prevent an otherwise beneficial takeover or takeover attempt of us.

Certain provisions in the 2019 or 2036 Convertible 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 2019 or 2036 Convertible Notes will have the right to require us to repurchase their 2019 or 2036 Convertible 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 2019 or 2036 Convertible Notes in connection with such takeover. In either case, and in other cases,

our obligations under the 2019 or 2036 Convertible Notes and the indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management.

The accounting method for convertible debt securities that may be settled in cash could have a material effect on our reported financial results.

Because we are required to elect to settle note conversions solely in cash (or, subject to certain limitations, with a combination of cash and shares of our common stock) unless we obtain the stockholder approval described in Note 2 and 9 of the Consolidated Financial Statements, we have to separately account for the conversion option associated with the 2036 Convertible Notes as an embedded derivative under Accounting Standards Codification, or ASC, Topic 815, Derivatives and Hedging. Under this treatment, the note conversion option will be measured at its fair value and accounted for separately as a liability that is marked-to-market at the end of each reporting period. The initial value allocated to the conversion option will be treated as a debt discount that will be amortized into interest expense over the term of the 2036 Convertible Notes. For each financial statement period after the issuance of the 2036 Convertible Notes unless and until we obtain the stockholder approval, a gain (or loss) will be reported in our statement of operations to the extent the valuation of the conversion option changes from the previous period.

As a result, we may experience related non-cash volatility to our net income (loss). For the three and six months ended June 30, 2017, we recorded valuation losses amounting to \$32.5 million and \$32.7 million, respectively, related to the conversion option of our 2036 Convertible Notes. In addition, as a result of the amortization of the debt discount, the interest expense associated with the 2036 Convertible Notes will be greater than the coupon rate on the 2036 Convertible Notes, which will result in lower reported net income. If we obtain the stockholder approval referred to above, then we expect that the conversion option will qualify for equity treatment and will no longer be marked to market at the end of each reporting period. However, we may never obtain this stockholder approval.

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 our 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 \$150.0 million of commitments under the M&L and Services Revolver. Borrowings under our M&L and Services Revolver are 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 \$150 million of current revolving loan commitments, or \$15 million. As of June 30, 2017, availability under the M&L and Services Revolver was approximately \$30.2 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 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, 2016, our consolidated fixed charge coverage ratio was approximately 3.1x. 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 could 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; 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 March 31, 2017 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. For example, in connection with the preparation of our quarterly report for the third quarter of 2016, we identified a material weakness in internal control over financial reporting relating to our biomass-based diesel sales contract review process, which has been subsequently remediated.

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.

We have never paid dividends on our common stock and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on our common stock to date, have contractual restrictions against paying cash dividends and currently intend to retain our future earnings to fund the development and growth of our business. As a result, stockholders must look solely to appreciation of our common stock to realize a gain on their investment. This appreciation may not occur. Investors seeking cash dividends should not invest in our common stock.

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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None .

ITEM 6. EXHIBITS

(A) Exhibits:

Exhibit No.	Description
10.1	Form of Performance Restricted Stock Unit Award Agreement. #
10.2	Renewable Energy Group, Inc. 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 on May 10, 2017). #
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
32.1*	Certification of the Chief Executive Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of the Chief Financial Officer pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

Management contract or compensatory plan, contract or arrangement

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.

Dated: August 4, 2017

By: /s/ Randolph L. Howard
Randolph L. Howard
Interim President and Chief Executive Officer (Principal Executive Officer)

Dated: August 4, 2017

By: /s/ Chad Stone
Chad Stone
Chief Financial Officer (Principal Financial Officer)

Dated: August 4, 2017

By: /s/ Chad A. Baker
Chad A. Baker
Controller and Chief Accounting Officer (Principal Accounting Officer)

PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

This Performance-Based Restricted Stock Unit Award Agreement (“Agreement”) is entered into effective as of May 11, 2017 (the “Grant Date”), by and between Renewable Energy Group, Inc., a Delaware corporation (the “Company”), and EMPLOYEE NAME (“Employee”), pursuant to the Renewable Energy Group, Inc. Amended and Restated 2009 Stock Incentive Plan (the “Plan”). Employee and the Company agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

1. Award. In consideration of Employee’s continued services as an Employee, the Company hereby grants to Employee XXX Performance-Based Restricted Stock Units. Performance-Based Restricted Stock Units are notational units of measurement denominated in shares of common stock of Renewable Energy Group, Inc., par value \$.0001 per share (“Common Stock”). Each Performance-Based Restricted Stock Unit represents a hypothetical share of Common Stock, subject to the conditions and restrictions on transferability set forth below and in the Plan. The Performance-Based Restricted Stock Units will be credited to Employee in an unfunded bookkeeping account established for Employee.

2. Vesting of Performance-Based Restricted Stock Units.

(a) Performance Criteria for Vesting. Unless earlier vested under subsection (b) below, or forfeited pursuant to this Agreement, the Performance-Based Restricted Stock Units shall vest upon satisfaction of the performance criteria outlined in this Section 2(a). Fifty percent (50%) of the Performance-Based Restricted Stock Units covered by this Agreement shall vest based on the achievement of the Stock Price Hurdle and fifty percent (50%) of the Performance-Based Restricted Stock Units covered by this Agreement shall vest based on the achievement of the ROIC Hurdle. The achievement of each Hurdle will be evaluated separately from the other Hurdle. Depending on the timing of the attainment of the Stock Price Hurdle, as described in clause (i) below, a portion of the shares of Common Stock issuable upon vesting and settlement may be subject to transfer restrictions. At settlement, each Performance-Based Restricted Stock Unit shall be converted into the right to receive one share of Common Stock on the date or dates specified in this Section 2(a).

(i) Stock Price Hurdle.

- a. The Performance-Based Restricted Stock Units subject to the Stock Price Hurdle vest on the achievement of a price for the Common Stock equal to or exceeding \$15.00 per share calculated using a 20-day volume-weighted average stock price (“VWAP”). The Stock Price Hurdle may be attained at any point during the period beginning on the Grant Date and ending on the 20th trading day following the five year anniversary of the Grant Date (“Stock Price Performance Measurement Period”). Stock price will be measured using the VWAP during any 20 consecutive trading days during the Stock Price Performance Measurement Period. The Stock Price Performance Measurement Period will be “rolling”, meaning that Stock Price Performance Measurement Periods will overlap (i.e., a new 20 trading day measurement period begins on every trading day).
 - b. If the Stock Price Hurdle is attained, depending on the timing of attainment, a portion of the shares of Common Stock issuable upon vesting and settlement may be subject to transfer restrictions. If the Stock Price Hurdle is attained during the three year period beginning on the Grant Date, then 100% of the Performance-Based Restricted Stock Units shall be settled immediately, subject to Section 2(c); provided, however, that following
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such settlement and prior to the end of such three-year period, Employee shall not be permitted to sell or otherwise transfer or dispose of 50% of the shares of Common Stock remaining after deduction of any shares withheld or sold to pay the withholding taxes applicable to such settlement. The Company may hold the shares of Common Stock subject to such transfer restrictions in escrow until the expiration of such three-year period. If the Stock Price Hurdle has been attained but shares of Common Stock remain subject to such transfer restrictions and the employment of Employee is terminated for any reason other than for Cause, all such transfer restrictions shall immediately lapse. If the employment of Employee is terminated for Cause during the period when shares of Common Stock are subject to such transfer restrictions, all of Employee's rights to receive, hold and transfer such shares shall be immediately forfeited.

(ii) **ROIC Hurdle.**

- a. The Performance-Based Restricted Stock Units subject to the ROIC Hurdle vest based on the achievement of Return on Invested Capital performance of at least 10%, measured based on the average of the Company's annual ROIC (as defined below) over any of the following periods: (x) the three years in the period beginning on January 1, 2017 and ending December 31, 2019 (i.e., the simple average of ROIC in each of fiscal 2017, 2018, and 2019); (y) the four years in the period beginning on January 1, 2017 and ending December 31, 2020 (i.e., the simple average of ROIC in each of fiscal 2017, 2018, 2019 and 2020); and (z) the five years in the period beginning on January 1, 2017 and ending December 31, 2021 (i.e., the simple average of ROIC in each of fiscal 2017, 2018, and 2019, 2020 and 2021). Subject to Section 2(c), Performance-Based Restricted Stock Units will be immediately vested and settled in shares of Common Stock when performance has been reviewed and approved by the Compensation Committee of the Board of Directors of the Company.
- b. ROIC shall mean the Company's Adjusted EBITDA divided by Invested Capital for and as of the applicable calendar year and is calculated using the Asset Based Approach. Adjusted EBITDA shall be determined on a basis consistent with the calculation of the Company's Adjusted EBITDA as set forth in its Forms 10-K previously filed with the SEC, reduced by depreciation and amortization expense and taxes calculated based on the Company's effective tax rate. Invested Capital is the Company's year-end current assets, less cash and marketable securities, less current liabilities, plus short-term interest bearing debt, plus net PP&E, plus goodwill, intangibles and other long term assets.

(b) Accelerated Vesting of Performance-Based Restricted Stock Units.

- (i) Death, Disability or Approved Retirement. The Performance-Based Restricted Stock Units are not subject to accelerated vesting upon termination of employment or service by reason of death, Disability or Approved Retirement.

(ii)

- (iii) Change of Control. The Performance-Based Restricted Stock Units may be subject to accelerated vesting and settlement in connection with a Change of Control to the extent provided in Section 10 of the Plan.

- (c) Timing of Settlement. Except as otherwise provided in this Section 2(c), vested Performance-Based Restricted Stock Units shall be settled as soon as practicable, but in no event later than thirty days, after the date for settlement specified in Section 2(a)(i) or 2(a)(ii), as applicable. In the event that the Company determines, pursuant to Section 6, to satisfy any withholding tax obligations
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arising upon the settlement of vested Performance-Based Restricted Stock Units by withholding shares of Common Stock otherwise issuable upon settlement, or by deducting such taxes from the proceeds of the sale of shares of Common Stock issued upon settlement, and the date specified for settlement in Section 2(a)(i) or 2(a)(ii), as applicable, does not fall within a trading "window period" permitted under the Company's insider trading policy, then settlement shall be delayed until the first trading date of the first "window period" beginning after such specified settlement date. In no event, however, shall settlement occur later than March 15th of the calendar year following the calendar year in which vesting occurred.

3. Forfeitures of Restricted Stock Units.

(a) Termination of Employment or Service. Except as may be provided under Section 2(b)(ii), upon termination of employment or service for any reason, Employee shall immediately forfeit all Performance-Based Restricted Stock Units that have not vested on or prior to the date of such termination, without the payment of any consideration or further consideration by the Company. In addition, if Employee is terminated for Cause, Employee shall immediately forfeit any right to receive shares of Common Stock that have not yet been delivered to Employee, or that have been delivered subject to the transfer restrictions described in Section 2(a)(i), in respect of previously vested Performance-Based Restricted Stock Units, without the payment of any consideration or further consideration by the Company. Upon forfeiture, neither Employee nor any successors, heirs, assigns, or legal representatives of Employee shall thereafter have any further rights or interest in the forfeited Performance-Based Restricted Stock Units or shares of Common Stock.

(b) Failure to Satisfy Performance Criteria. For Performance-Based Restricted Stock Units subject to the Stock Price Hurdle, any Performance-Based Restricted Stock Units that have not vested on or prior to the last day of the Stock Price Performance Measurement Period shall be immediately forfeited on that date, without the payment of any consideration or further consideration by the Company. For Performance-Based Restricted Stock Units subject to the ROIC Hurdle, any Performance-Based Restricted Stock Units that have not vested after review by the Compensation Committee of the Board of Directors of the Company following the end of the fiscal year ending December 31, 2021, shall be immediately forfeited upon such Compensation Committee determination, without the payment of any consideration or further consideration by the Company. Upon forfeiture, neither Employee nor any successors, heirs, assigns, or legal representatives of Employee shall thereafter have any further rights or interest in the forfeited Performance-Based Restricted Stock Units.

4. Restrictions on Transfer Before Vesting.

(a) Absent prior written consent of the Compensation Committee, the Performance-Based Restricted Stock Units granted hereunder to Employee may not be sold, assigned, transferred, pledged or otherwise encumbered, whether voluntarily or involuntarily, by operation of law or otherwise, from the Grant Date until such Performance-Based Restricted Stock Units have become vested and shares of Common Stock issued in conjunction with such vesting. Moreover, a portion of the shares of Common Stock issued upon attainment of the Stock Price Hurdle during the three-year period beginning on the Grant Date shall be subject to the transfer restrictions described in Section 2(a)(i).

(b) Consistent with the foregoing, except as contemplated by Section 9, no right or benefit under this Agreement shall be subject to transfer, anticipation, alienation, sale, assignment, pledge, encumbrance or charge, whether voluntary, involuntary, by operation of law or otherwise, and any attempt to transfer, anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to such benefits. If Employee or his Beneficiary (as defined in Section 9 hereunder)

shall attempt to transfer, anticipate, alienate, assign, sell, pledge, encumber or charge any right or benefit hereunder, other than as contemplated by Section 9, or if any creditor shall attempt to subject the same to a writ of garnishment, attachment, execution, sequestration, or any other form of process or involuntary lien or seizure, then such attempt shall have no effect and shall be void.

5. Rights as a Stockholder. Employee will have no rights as a stockholder with regard to the Performance-Based Restricted Stock Units unless and until the Performance-Based Restricted Stock Units vest and shares of Common Stock are issued in settlement thereof. Prior to such time, if the Company pays ordinary cash dividends on the Company's outstanding shares of Common Stock, dividend equivalents shall be credited to the account of Employee equal to the amount of dividends that would have been payable had the corresponding Performance-Based Restricted Stock Units been outstanding shares of Common Stock. Such dividend equivalents shall be converted into additional Performance-Based Restricted Stock Units based on the Fair Market Value of the Common Stock on the dividend payment date, which additional units shall vest and be settled in the form of shares of Common stock, or shall be forfeited, in the same manner and at the same time or times as the underlying Performance-Based Restricted Stock Units to which they relate.

6. Taxes. To the extent that the vesting of the Performance-Based Restricted Stock Units or the receipt of Common Stock or dividend equivalents results in a requirement to withhold taxes for federal or state tax purposes, Employee shall deliver to the Company at the time of such vesting or receipt, as the case may be, such amount of money as the Company may require, or make other adequate arrangements satisfactory to the Company, at its discretion, to meet the Company's obligations under applicable tax withholding laws or regulations. Employee also authorizes the Company to satisfy all tax withholding obligations of the Company from his or her wages or other cash compensation payable to Employee by the Company. Subject to the following sentence, the Company, in its sole discretion, may also provide for the withholding of applicable taxes from the proceeds of the sale of shares acquired upon vesting of the Performance-Based Restricted Stock Units, either through a voluntary sale or through a mandatory sale arranged by the Company (on Employee's behalf pursuant to this authorization). Notwithstanding the foregoing, if requested by Employee, and if the Board consents, the Company shall withhold shares of Common Stock that would otherwise be issued upon vesting of the Performance-Based Restricted Stock Units to cover applicable withholding taxes, equal to the greatest number of whole shares having a Fair Market Value on the date immediately preceding the date on which the applicable tax liability is determined not in excess of the minimum amount required to satisfy the statutory withholding tax obligations with respect to such Performance-Based Restricted Stock Units, or such greater amount as may be permitted under the Plan that does not exceed the maximum amount that would be permitted in order for the Performance-Based Restricted Stock Units to be accounted for as equity awards under Accounting Standards Codification (ASC) Topic 718. The Company may refuse to issue or deliver the shares of Common Stock unless all withholding taxes that may be due as a result of this award have been paid.

7. Changes in Capital Structure. If the outstanding shares of Common Stock or other securities of the Company, or both, shall at any time be changed or exchanged by declaration of a stock dividend, stock split, combination of shares, or recapitalization, the number and kind of Performance-Based Restricted Stock Units shall be appropriately and equitably adjusted so as to maintain the proportionate number of shares.

8. Compliance With Securities Laws. The Company will not be required to deliver any shares of Common Stock pursuant to this Agreement if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933 or any other applicable federal or state securities laws or regulations. Prior to the issuance of any shares pursuant to this Agreement, the Company may require that

Employee (or Employee's legal representative upon Employee's death or disability) enter into such written representations, warranties and agreements as the Company may reasonably request in order to comply with applicable securities laws or with this Agreement.

9. Assignment. The Performance-Based Restricted Stock Units are not transferable (either voluntarily or involuntarily), other than pursuant to a domestic relations order. Employee may designate a beneficiary or beneficiaries (the "Beneficiary") to whom any previously vested but unsettled Performance-Based Restricted Stock Units, and any shares of Common Stock previously issued upon settlement of vested Performance-Based Restricted Stock Units that have not yet been delivered to Employee, will pass upon Employee's death and may change such designation from time to time by filing a written designation of Beneficiary on such form as may be prescribed by the Company; provided that no such designation shall be effective until filed with the Company. Employee may change his Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Company; provided that no such designation shall be effective prior to receipt by the Company. Following Employee's death, the vested Performance-Based Restricted Stock Units and shares of Common Stock will pass to the designated Beneficiary and such person will be deemed Employee for purposes of any applicable provisions of this Agreement. If no such designation is made or if the designated Beneficiary does not survive Employee's death, the vested Performance-Based Restricted Stock Units and shares of Common Stock shall pass by will or, if none, then by the laws of descent and distribution.

10. Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by Employee, the Company and their respective permitted successors or assigns (including personal representatives, heirs and legatees), except that Employee may not assign any rights or obligations under this Agreement except to the extent, and in the manner, expressly permitted herein.

11. Limitation of Rights. Nothing in this Agreement or the Plan may be construed to:

- (a) give Employee any right to be awarded any further Performance-Based Restricted Stock Units (or other form of stock incentive awards) other than in the sole discretion of the Committee;
- (b) give Employee or any other person any interest in any fund or in any specified asset or assets of the Company or affiliate thereof (other than the Performance-Based Restricted Stock Units and applicable Common Stock following the vesting of such Performance-Based Restricted Stock Units); or
- (c) confer upon Employee the right to continue in the service of the Company or affiliate thereof as Employee.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa, without reference to principles of conflict of laws.

13. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

14. No Waiver. The failure of Employee or the Company to insist upon strict compliance with any provision of this Agreement or the failure to assert any right Employee or the Company may have under this Agreement shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

15. Definitions. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings set forth in the Plan. Certain other terms used herein have definitions given to them in the first place in which they are used.

16. Section 409A. To the fullest extent applicable, this Agreement and the benefits payable hereunder are intended to be exempt from the definition of “nonqualified deferred compensation” under Section 409A of the Code in accordance with the “short-term deferral” exception available under the regulations promulgated under Section 409A. In that regard, whenever possible under the terms of this Agreement, Common Stock shall be issued to Employee no later than March 15 following the calendar year in which Employee’s right to receive the Common Stock pursuant to this Agreement is no longer subject to a substantial risk of forfeiture within the meaning of Section 409A and the regulations thereunder. To the extent that any such benefit is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation in accordance with such regulations, this Agreement is intended to comply with the applicable requirements of Section 409A with respect to such benefits. This Agreement shall be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent, and any ambiguity as to its compliance with Section 409A will be read in such a manner so that all payments hereunder comply with Section 409A of the Code.

17. Entire Agreement.

(a) Employee hereby acknowledges that he/she has received, reviewed and accepted the terms and conditions applicable to this Agreement. Employee hereby accepts such terms and conditions, subject to the provisions of the Plan and administrative interpretations thereof. Employee further agrees that the provisions of this Agreement, together with the Plan, constitute the entire and complete understanding and agreement between the parties with respect to the subject matter hereof, and supersede all prior and contemporaneous oral and written agreements, term sheets, representations and understandings of the parties, which are hereby terminated.

(b) Employee hereby acknowledges that he/she is to consult with and rely upon only Employee’s own tax legal and financial advisors regarding the consequences and risks of this Agreement and the award of Performance-Based Restricted Stock Units.

(c) This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

18. Counterparts. This Agreement may be executed in counterparts, which together shall constitute one and the same original.

[Signatures on following page]

IN WITNESS WHEREOF, Renewable Energy Group, Inc. has caused this Agreement to be duly executed by one of its officers thereunto duly authorized, which execution may be facsimile, engraved or printed, which shall be deemed an original, and Employee has executed this Agreement, effective as of the day and year first above written.

RENEWABLE ENERGY GROUP, INC.

Company Officer Signature

Company Officer Printed Name

Company Officer Title

EMPLOYEE SIGNATURE
[Name of Employee]

I, Randolph L. Howard, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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; and
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: August 4, 2017

/s/ Randolph L. Howard

Randolph L. Howard

Interim President and Chief Executive Officer

I, Chad Stone, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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; and
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: August 4, 2017

/s/ Chad Stone
Chad Stone
Chief Financial Officer

SECTION 1350 CERTIFICATIONS

I, Randolph L. Howard, Interim President and 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 Quarterly Report on Form 10-Q 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: August 4, 2017

/s/ Randolph L. Howard

Randolph L. Howard

Interim President and 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 Quarterly Report on Form 10-Q 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: August 4, 2017

/s/ Chad Stone

Chad Stone

Chief Financial Officer