Genie Energy Ltd.
Form 10-K
March 16, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2014,

or

o Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number: 1-35327

Genie Energy Ltd.
(Exact name of registrant as specified in its charter)

Delaware	**45-2069276**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

550 Broad Street, Newark, New Jersey 07102
(Address of principal executive offices, zip code)

(973) 438-3500
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Class B common stock, par value $.01 per share	New York Stock Exchange
Series 2012-A Preferred stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

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

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

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 x No o

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 x No o

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, based on the closing price on June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) of the Class B common stock of $7.87 per share, as reported on the New York Stock Exchange, was approximately $117 million.

As of March 10, 2015, the registrant had outstanding 22,988,112 shares of Class B common stock and 1,574,326 shares of Class A common stock. Excluded from these numbers are 197,441 shares of Class B common stock held in treasury by Genie Energy Ltd.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's Annual Meeting of Stockholders, to be held May 5, 2015, is incorporated by reference into Part III of this Form 10-K to the extent described therein.

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Genie Energy Ltd.

Annual Report on Form 10-K

Part I

As used in this Annual Report, unless the context otherwise requires, the terms “the Company,” “Genie,” “we,” “us,” and “our” refer to Genie Energy Ltd., a Delaware corporation, and its subsidiaries, collectively.

Item 1. Business.

OVERVIEW

Genie Energy Ltd., a Delaware corporation, owns 99.3% of its subsidiary, Genie Energy International Corporation, or GEIC, which owns 100% of Genie Retail Energy, or GRE, and 92% of Genie Oil and Gas, Inc., or GOGAS. Genie’s principal businesses consist of the following:

Genie Retail Energy (GRE) operates retail energy providers, including IDT Energy, and Residents Energy, and energy brokerage and marketing services. Its retail energy provider businesses resells electricity and natural gas to residential and small business customers primarily in the Eastern United States; and

Genie Oil and Gas (GOGAS) is an oil and gas exploration company. GOGAS’s early stage projects include (1) an 88.5% interest in Afek Oil & Gas Ltd., or Afek, which operates an exploration project in the southern portion of the Golan Heights in Northern Israel, (2) an 89.9% interest in Genie Mongolia, Inc., an oil shale exploration project in Central Mongolia, (3) American Shale Oil Corporation, or AMSO, which holds and manages a 43.1% interest in American Shale Oil, L.L.C., or AMSO, LLC, an oil shale development project in Colorado; and (4) an 87.9% interest in Israel Energy Initiatives, Ltd., or IEI, an oil shale development project in Israel.

IDT Energy has outstanding deferred stock units granted to directors and employees that represent an interest of 1.4% of the equity of IDT Energy.

The Company has two reportable business segments: Genie Retail Energy and Genie Oil and Gas. Our reportable segments are distinguished by types of service, customers and methods used to provide their services. Financial information by segment and geographic areas is presented under the heading “Business Segment Information” in the Notes to our Consolidated Financial Statements in this Annual Report.

Our main offices are located at 550 Broad Street, Newark, New Jersey 07102. The telephone number at our headquarters is (973) 438-3500 and our web site is www.genie.com.

We make available free of charge through the investor relations page of our web site (http://genie.com/investors/sec-filings/) our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports, and all beneficial ownership reports on Forms 3, 4 and 5 filed by directors, officers and beneficial owners of more than 10% of our equity as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. We have adopted a Code of Business Conduct and Ethics for all of our employees, including our principal executive officer and principal financial officer. Copies of our Code of Business Conduct and Ethics are available on our web site.

Our web site and the information contained therein or incorporated therein are not incorporated into this Annual Report on Form 10-K or our other filings with the Securities and Exchange Commission.

KEY EVENTS IN OUR HISTORY

Genie was incorporated in January 2011. References to us in the following discussion are made on a consolidated basis as if we existed and owned Genie Retail Energy and Genie Oil and Gas in all periods discussed.

In November 2004, IDT Corporation, or IDT, our former corporate parent, launched a retail energy provider business in New York State under the brand name IDT Energy.

In March 2008, we formed Israel Energy Initiatives, Ltd., which was awarded an exclusive Shale Oil Exploration and Production License in July 2008 by the Government of Israel.

In April 2008, IDT acquired E.G.L. Oil Shale, L.L.C., which was subsequently renamed American Shale Oil, LLC.

In March 2009, a subsidiary of TOTAL S.A., the world’s fifth largest integrated oil and gas company, acquired a 50% interest in AMSO, LLC in exchange for cash paid to us of $3.2 million and Total’s commitment to fund the majority of AMSO, LLC’s research, development and demonstration expenditures as well as certain other funding commitments.

In April 2013, the Government of Israel finalized the award to our subsidiary, Afek, of an exclusive three year petroleum exploration license covering 396.5 square kilometers in the southern portion of the Golan Heights in

Northern Israel.

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In April 2013, Genie Mongolia and the Petroleum Authority of Mongolia entered into an exclusive oil shale development agreement to explore and evaluate the commercial potential of oil shale resources in a 34,470 square kilometer area in Central Mongolia.

In December 2013, GRE acquired Dallas-based Diversegy, LLC, a retail energy advisory and brokerage company that serves commercial and industrial customers throughout the United States, and Epiq Energy, LLC, its network marketing channel.

In February 2015, Afek began drilling its first exploratory well in Northern Israel's Golan Heights.

Spin-Off from IDT Corporation

We were formerly a subsidiary of IDT. On October 28, 2011, we were spun-off by IDT and became an independent public company through a pro rata distribution of our common stock to IDT's stockholders, which we refer to as the Spin-Off. As a result of the Spin-Off, each of IDT's stockholders received: (i) one share of our Class A common stock for every share of IDT's Class A common stock held of record on October 21, 2011, or the Record Date, and (ii) one share of our Class B common stock for every share of IDT's Class B common stock held of record on the Record Date.

Exchange Offer and Issuance of Preferred Stock

On August 2, 2012, we initiated an offer to exchange up to 8.75 million outstanding shares of our Class B common stock for the same number of shares of a new series of preferred stock. On October 17, 2012, we issued 1,604,591 shares of our newly designated Series 2012-A Preferred Stock, par value $0.01 per share, in exchange for an equal number of shares of Class B common stock tendered in the exchange offer.

In subsequent exchange offers concluded in March 2013 and June 2014, we issued an aggregate of 718,108 shares of Series 2012-A Preferred Stock in exchange for an equal number of shares of Class B common stock tendered in the exchange offer.

RECENT DEVELOPMENTS

In connection with an amendment to his compensation arrangement with the Company, between July 30, and August 4, 2014, Howard S. Jonas, our Chairman and Chief Executive Officer, purchased an aggregate of 3,600,000 shares of our Class B Common Stock at a price of $6.82 per share for an aggregate purchase price of $24,552,000.

Afek

In December 2014, the Supreme Court of Israel rejected petitions challenging the exploratory drilling permits issued to Afek, and the Court lifted its injunction on Afek's exploratory program in the Golan Heights of Northern Israel.

In February 2015, Afek began drilling its first exploratory well in Northern Israel's Golan Heights.

Mongolia

In September 2014, Genie Mongolia signed an additional prospecting agreement with the Petroleum Authority of Mongolia (PAM). The new exploration block covers twenty-five thousand square kilometers in Central Mongolia. The agreement provides a framework under which the company can request a commercial production agreement once a specific suitable resource and location are identified.

IEI

On September 2, 2014, the Jerusalem District Committee for Planning and Building declined to issue IEI a permit to build and operate a pilot drilling project. IEI holds an exclusive Shale Oil Exploration and Production License awarded in 2008 by the Israeli Ministry of National Infrastructure. IEI is currently evaluating its options to determine the best course of action to move forward to exploit the abundant oil shale resource in Israel.

Dividends

On November 12, 2014, we announced our intention to pay a quarterly dividend to holders of our Class A and Class B Common Stock and declared a $0.06 per share dividend for the third quarter of 2014. The dividend was paid on December 2, 2014 to stockholders of record at the close of business on November 24, 2014. No dividends on Genie Energy common stock were declared or paid in the year ended December 31, 2013.

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The aggregate dividends paid in the year ended December 31, 2014 on our Preferred Stock was $1.4 million, as follows:

On February 14, 2014, we paid a quarterly Base Dividend of $0.1594 per share on our Preferred Stock for the fourth quarter of 2013 to stockholders of record at the close of business on February 6, 2014 of our Preferred Stock.

On May 15, 2014, we paid a quarterly Base Dividend of $0.1594 per share on the Preferred Stock for the first a quarter of 2014 to stockholders of record at the close of business on May 7, 2014 of our Preferred Stock.

On August 15, 2014, we paid a quarterly Base Dividend of $0.1594 per share on the Preferred Stock for the second quarter of 2014 to stockholders of record at the close of business on August 7, 2014 of our Preferred Stock.

On November 14, 2014, we paid a quarterly Base Dividend of $0.1594 per share on the Preferred Stock for the third quarter of 2014 to stockholders of record at the close of business on November 6, 2014 of our Preferred Stock.

On February 13, 2015, we paid a quarterly Base Dividend of $0.1594 per share on the Preferred Stock for the fourth quarter of 2014 to stockholders of record at the close of business on February 5, 2015 of our preferred stock.

On March 10, 2015, the Company's Board of Directors declared a quarterly dividend of $0.06 per share on its Class A and Class B common stock for the fourth quarter of 2014. The dividend will be paid on or about March 31, 2015 to stockholders of record as of the close of business on March 23, 2015, equal to $1.5 million in total dividends.

Genie Retail Energy

In November 2004, IDT launched a retail energy provider (REP) business, which has since experienced significant growth. Today, GRE operates two active REP businesses which resell natural gas and electricity to residential and small business customers. IDT Energy operates in eight utility markets in New York, six utility territories in New Jersey, eight utility territories in Pennsylvania, four utility territories in Maryland and one utility territory in each of Washington D.C. and Illinois. Residents Energy resells natural gas and electricity to residential and small business customers in eight utility markets in New York.

GRE REPs have applications pending to enter into additional utility service areas, primarily natural gas and dual meter territories, in Pennsylvania, Maryland, Washington, D.C. and Illinois. Management continues to evaluate additional, deregulation-driven opportunities in other states, including Massachusetts, New Hampshire and Rhode Island.

GRE's REP businesses, particularly sales of natural gas, are seasonal businesses. Approximately 59% and 49% of our natural gas revenues in the years ended December 31, 2014 and December 31, 2013, respectively were generated during the first quarter, when the demand for heating was highest. The demand for electricity is not as seasonal as natural gas, but is typically higher during the third quarter when air conditioning usage usually peaks. Revenues from sales of electricity in the three months ended September 30 represented approximately 20% and 31% of total revenues from electricity sales in the years ended December 31, 2014 and December 31, 2013, respectively. Revenues in the three months ended March 31, represented 45% and 25% of total revenues from electricity sales in the years ended December 31, 2014 and 2013, respectively.

In the year ended December 31, 2014, GRE generated revenues of $275 million comprised of $215 million from sales of electricity, $58 million from sales of natural gas and other revenue of $2 million, as compared with revenues of $279 million in the year ended December 31, 2013 comprised of $217 million from the sales of electricity and $62 million from the sales of natural gas. Due to the return of the customer base and other factors, electricity sales are becoming a more significant portion of GRE's business. GRE's revenues represent 100% of our total consolidated revenues since our inception. In addition in the year ended December 31, 2014, GRE had income from operations of $4 million, as compared to income from operations of $26 million in the year ended December 31, 2013.

The weather has a significant impact on GRE's results of operations. Unusually sustained cold weather in the first quarter of 2014, drove increased demand. Coupled with short reserves of natural gas in the wholesale markets and delivery constrictions beyond our control, this caused a significant increase in revenues and direct cost of revenues in the first quarter of 2014. In addition, many electricity generation plants are in fact natural gas fired. The winter's "polar vortex" resulted in extraordinarily large spikes in the prices of wholesale electricity and natural gas in markets where GRE's REPs and other retail providers purchase their supply.

Because of the resulting dramatic increases in wholesale electricity costs, the retail electricity prices that GRE's REPs and many other variable rate electricity suppliers charged to their customers also increased sharply. These retail electricity price increases resulted in large numbers of complaints, regulatory actions, calls for legislation and regulation and litigation. GRE's subsidiary, IDT Energy, also paid approximately $5 million in rebates to affected customers in the year ended December 31, 2014. These events adversely affected GRE's REPs customer churn, gross margins and results of operations.

IDT Energy also responded to formal and informal information requests from state utility commissions, state attorneys general, and state legislators related to the wholesale and retail electricity price increases in the winter of 2014.

In June 2014, the Pennsylvania Attorney General's Office ("OAG") and the Office of the Acting Consumer Advocate ("OCA") filed Joint Complaints before the Pennsylvania Public Utility Commission against five energy suppliers, including IDT Energy, who were selling variable rate energy products in Pennsylvania. IDT Energy maintains that it did nothing illegal or inappropriate with respect to the increased billing rates and is vigorously defending itself against the allegations in the Joint Complaint (Docket No. C-2014-2427657). Hearings before the Administrative Law Judges commenced in mid-February 2015. The submission of testimony is expected to continue over the next several months.

IDT Energy has also been sued in separate putative class action suits in New York, New Jersey and Pennsylvania, partially related to the price increases during the winter of 2014. These matters are more fully discussed below in Item 3 "Legal Proceedings" in this Annual Report.

In December 2013, GRE acquired Dallas-based Diversegy, LLC, or Diversegy, a retail energy advisory and brokerage company that serves commercial and industrial customers, and its network marketing channel, Epiq Energy, LLC, or Epiq. Diversegy connects large commercial and industrial customers with its portfolio of competitive energy products provided by some of the industry's leading energy suppliers. Diversegy evaluates alternative supply sources based on its customers' usage patterns and risk profiles in order to provide options that benefit their bottom lines. Epiq provides independent representatives with the opportunity to build sales organizations and to profit from both residential and commercial energy. Epiq Energy offers its direct marketing representatives the opportunity to earn commissions on energy supply based on the consumption of the customers they bring into the program.

During 2014, we worked to integrate Diversegy and Epiq into our existing operations and platform. Neither company contributed materially to revenues in 2014, but we expect that Epiq's operations will have an impact in new meter acquisitions in 2015.

Industry Overview

GRE operates retail energy providers, or REPs, which operate in states with deregulated retail energy markets. Like other REPs, GRE's REPs purchase electricity and natural gas on the wholesale markets and resell the commodities to its customers, primarily homeowners, renters and small businesses. The incumbent local utilities continue to handle electricity and natural gas distribution, billing, and collections. A portion of the proceeds billed to GRE's REPs customers for the commodity supply is remitted to the REPs.

GRE has no significant fixed assets and low levels of capital expenditure. Its direct costs are incurred to purchase electricity and natural gas in their respective wholesale markets. Selling, general and administrative costs are primarily related to customer acquisition, care and retention, billing and purchase of receivables fees paid to the utilities and program management.

Customers; Marketing

GRE’s REPs include IDT Energy and Residents Energy. REP services are made available to customers under several categories of terms and conditions. The large majority of our current customer base is enrolled in variable rate programs, the only programs GRE’s REPs offered until 2014, via automatically renewing or month-to-month agreements, which enable us to recover our wholesale costs for electricity and natural gas through adjustments to the rates charged to our customers. The frequency and degree of these adjustments are determined by GRE, and are not restricted by regulation. A minority of customers are enrolled in single fixed-rate offerings with rates guaranteed for up to one year.

Variable rate energy supply programs are available to all customers in all states served by GRE’s REPs. Likewise, Renewable (Green) energy supply options exist in all markets served by GRE’s REPs. Renewable (Green) Electricity supply is 100% matched with renewable energy certificates and generated from sources like running water, wind, solar and biomass.

GRE’s REPs fixed-rate offerings are currently available in seven utility service areas in Pennsylvania, one in New Jersey and one in Illinois. The fixed-rate offerings guarantee a rate per kilowatt hour that will remain locked for a period of twelve billing cycles.

While GRE’s REPs variable rates are not regulated, they, like all GRE’s REP programs, are governed by their terms and conditions, which are accepted by all customers. GRE’s REPS are required to comply with various reporting requirements in order to maintain eligibility to operate as a REP. Certain jurisdictions require GRE’s REPs to publish its customer offers with the applicable regulatory commission, or in the public domain, generally a website established for such purpose. The electricity and natural gas we sell are metered and delivered to customers by the local utilities. Consequently, we do not have a maintenance or service staff for customer locations. The utilities also provide billing and collection services for the majority of our customers. For a small number of direct bill customers, we perform our own billing and collection. Additionally, GRE’s REPs’ receivables are generally purchased by the utilities in whose areas we operate for a percentage of their face value (as of December 31, 2014, approximately 1.6%) in exchange for the utility receiving a first priority lien in the customer receivable without recourse against the REP.

As the provider of a fully variable rate product, the amount we charge to our customers changes with our costs for the underlying commodity. During times of rising costs, the number of complaints made to our call center or to the state regulators may increase. We proactively seek to address customer concerns through rebates and incentives, other programs and by providing accurate information, as well as communications with regulators.

GRE's REP businesses market their energy services primarily through direct marketing methods, including door-to-door sales, outbound telemarketing, network marketing through Epiq Energy, direct mail and internet signup. As of December 31, 2014, GRE's REPs serviced 363,000 meters (234,000 electric and 129,000 natural gas), as compared to 427,000 meters (282,000 electric and 145,000 natural gas) as of December 31, 2013. In the territories that GRE's REPs have operated for at least a year, we have captured between 1% and 10% of the migrated share.

GRE's strategy is to acquire profitable customers in low-risk markets, specifically where the utilities have adopted a portfolio of REP-friendly, regulatory-driven programs. Key among these programs is purchase of receivables, or POR, programs, where utilities are contractually obligated to purchase customer receivables at a pre-determined fixed discount. Under POR programs, utilities offer consolidated billing, where the utilities have the responsibility of billing the individual customer and the subsequent collections of the remittances. Additionally, we target markets in which we can procure energy in an efficient and transparent manner. We seek to purchase wholesale energy where there is a real time market that reflects a fair price for the commodity for all participants. This, coupled with GRE's strategy to primarily sell variable-rate products, allows GRE to reflect a true market cost base and vary its rates to its customers taking into account its competitors who change their commodity prices at longer intervals.

Utilities in New York, Pennsylvania, Illinois, Washington, D.C. and Maryland offer POR programs, without recourse, that permit customers with past-due balances to remain in the POR and consolidated bill programs. However, utilities in New Jersey generally do not permit customers with past-due balances beyond 120 days to enroll or remain in their POR programs, which means that after a certain amount of time (determined based on the specific commodity), the REP becomes responsible for the billing and collection of the commodity portion of the future invoices for its delinquent customers.

We also regularly monitor other deregulated or deregulating markets to determine if they are appropriate for entry, and may initiate the licensing process in a selected region should deregulated conditions develop favorably.

Acquisition and Management of Gas and Electric Supply

Since 2009, IDT Energy has been party to a Preferred Supplier Agreement with BP Energy Company, or BP, pursuant to which BP is IDT Energy's preferred provider of electricity and natural gas. The agreement allows for purchases of electricity and natural gas for customers focused in areas where the utilities have POR programs. Under the arrangement, IDT Energy purchases electricity and natural gas at market rate plus a fee. IDT Energy's obligations to BP are secured by a first security interest in deposits or receivables from utilities in connection with their purchase of IDT Energy's customer's receivables under the applicable POR program, and in any cash deposits or letters of credit posted in connection with any collateral accounts with BP. The agreement with BP has been amended to cover the territories in which we operate. The agreement is scheduled to terminate on June 30, 2015. IDT Energy and BP are currently negotiating an extension to the agreement. IDT Energy's ability to purchase electricity and natural gas under this agreement is subject to satisfaction of certain conditions including the maintenance of certain covenants.

GRE is required to meet certain minimum green energy supply criteria in some of the markets in which it operates. We meet those thresholds by acquiring renewable energy certificates (REC's). In addition, GRE offers green or other renewable energy products to its customers in several territories. GRE acquires green renewable energy conversion rights or attributes and REC's to satisfy the load requirements for these customers.

As an operator of REPs, GRE does not own electrical power generation, transmission, or distribution facilities, or natural gas production, pipeline or distribution facilities. GRE's REPs currently contract with Dominion Transmission, Inc., National Fuel Supply, Williams Gas Pipeline and Texas Eastern Transmission and others for natural gas pipeline, storage and transportation services, and utilizes the New York Independent System Operator, Inc., or NYISO, and PJM Interconnection, LLC, or PJM, for electric transmission and distribution. NYISO operates the high-voltage electric transmission network in New York State, and administers and monitors New York's wholesale electricity markets. PJM is a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of thirteen states (including New Jersey, Pennsylvania, Maryland and Illinois) and the District of Columbia.

For risk management purposes, GRE REPs utilize forward physical delivery contracts for a portion of its purchases of electricity and natural gas, which are defined as commodity derivative contracts. In addition, GRE's REPs enter into put and call options as hedges against unfavorable fluctuations in market prices of electricity and natural gas.

The NYISO and PJM perform real-time load balancing for each of the electrical power grids in which GRE REPs operate. Similarly, load balancing is performed by the utilities or local distribution company, or LDC, for each of the natural gas markets in which GRE operates. Load balancing ensures that the amount of electricity and natural gas that GRE purchases is equal to the amount necessary to service its customers' demands at any specific point in time. GRE is charged or credited for balancing the electricity and natural gas purchased and sold for its account by its suppliers and the LDCs. GRE manages the differences between the actual electricity and natural gas demands of its customers and its bulk or block purchases by buying and selling in the spot market, and through monthly cash settlements and/or adjustments to future deliveries in accordance with the load balancing performed by utilities, LDCs, NYISO and PJM.

Diversegy and Epiq

Diversegy, which we acquired in December 2013, operates as an energy broker and advisor to industrial, commercial and municipal customers across deregulated energy markets in the United States. Customers of all types and size have the ability to leverage Diversegy' s expertise and purchasing power as they evaluate their electricity and natural gas procurement plans.

Epiq, which we also acquired in December 2013, has built and operates a network marketing platform that sells services for REPs in several states. Epiq offers an innovative direct sales opportunity to individuals who are seeking to profit from the deregulation of energy in the United Sates, focusing on residential and small to medium-sized businesses. Epiq's sales channel has the potential to reach customers our traditional sales channels of door-door marketing and outbound telemarketing has difficulty in reaching. Over the course of 2014, Epiq recruited active independent representatives in most states where GRE operates REPs, with an early focus on Illinois.

Our Diversegy and Epiq operations have allowed us to enter more markets around the country as we are not limited to only the markets we operate as a REP, and therefore are not responsible for assuming the risk associated with procuring and managing the commodity. However, we do not expect revenues from Diversegy and Epiq operations outside the states in which we operate our REP businesses to materially impact our financial results in 2015. The acquisition and integration of Diversegy and Epiq did increase our expenses in Fiscal 2014 related to the costs of that business and our investment in integration and growth of the sales channels.

Competition

As an operator of REPs, GRE competes with the local utility companies in each of the markets where it provides services and with many other licensed REPs. In some markets, competitor REPs are affiliated with local utilities. GRE also competes with several large vertically integrated energy companies. Some of these competitors are larger and better capitalized than GRE. Competition with the utilities and REPs exposes GRE to customer churn, especially since GRE's residential customers generally do not sign long-term contracts.

REPs and utilities offering fixed rate products or guaranteed pricing often are unable to change their sell rates offered to customers immediately in response to volatility in the prices of the underlying commodities. In times of high commodity prices, REPs like GRE's REPs that offer variable rate products, and reflect real-time commodity costs, may offer variable rates prices which are not competitive with fixed rate providers. Conversely, in a downward moving commodity cost environment, variable rate REPs like GRE's REPs may benefit from the lag that utilities experience in reducing their sell rate to reflect the lower cost base in the commodity markets, and may reflect commodity costs decreases in their offerings and rates.

In the latter part of 2014, IDT Energy began offering a locked, or fixed, rate to customers in Pennsylvania, New Jersey and Illinois. We expect this offering to expand to all markets in 2015.

Increasing our market share depends in part on our ability to persuade more customers to switch to GRE's services than those that churn from us to other providers. Moreover, local utilities and some REPs may have certain advantages such as name recognition, financial strength and long-standing relationships with customers. Persuading potential customers to switch to GRE requires significant marketing and sales operations. If GRE is not successful in convincing customers to switch, our REP businesses, results of operations and financial condition will all be adversely affected

Regulation

As of December 31, 2014, GRE's REPs operate in eight utility territories in New York, six utility territories in New Jersey, eight utility territories in Pennsylvania, four utility territories in Maryland, one in Washington D.C. and one in Illinois. IDT Energy recently received regulatory approvals to enter nine new utility territories in Pennsylvania and one new territory covering Maryland and Washington D.C. The State of New York, the Commonwealth of Pennsylvania, the State of New Jersey, the State of Maryland, the State of Illinois, the District of Columbia, the federal government, and related public service/utility commissions, among others, establish the rules and regulations for our REP operations.

Like all operators of REPs, GRE is affected by the actions of governmental agencies, mostly on the state level by the respective state Public Service/Utility Commissions, and other organizations (such as NYISO and PJM) and indirectly the Federal Energy Regulatory Commission, or FERC. Regulations applicable to electricity and natural gas have undergone substantial change over the past several years as a result of restructuring initiatives at both the state and federal levels. GRE's REPs may be subject to new laws, orders or regulations or the revision or interpretation of existing laws, orders or regulations.

If GRE's REPs enter territories outside of the utility regions within which they currently operate in New York, New Jersey, Pennsylvania, Maryland, Illinois and Washington DC, or territories outside of these states, they would need to be licensed and would be subject to the rules and regulations of such states or municipalities and respective utilities.

As of December 31, 2014, Diversegy was licensed to serve as a broker of electricity in New Jersey, Pennsylvania, Maryland, the District of Columbia, Illinois, Ohio, Rhode Island, New Hampshire, Massachusetts and Delaware, and as a gas broker in New Jersey, Maryland, Ohio, Rhode Island and New Hampshire. Epiq was licensed as an electricity broker in New Jersey, Illinois, Ohio, District of Columbia, Maryland and Pennsylvania, and as a gas broker in New Jersey, Ohio, Maryland and Pennsylvania. Both Diversegy and Epiq serve as brokers in other states that do not require licenses.

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Employees

As of March 1, 2015, GRE employed 156 full time employees, 55 of whom are located in the Jamestown, New York office, of which approximately 80% are affiliated with the customer care center, 32 of whom are located in IDT Energy’s NJ offices, 26 of whom are located in our Texas office and 43 of whom are located in the Florida and New York offices performing customer acquisition and support.

Genie Oil and Gas, Inc.

Genie Oil and Gas (GOGAS) is an oil and gas exploration company. GOGAS currently holds Genie’s interests in four projects: (1) an 88.5% interest in Afek, which operates an exploration project in the southern portion of the Golan Heights in Northern Israel (2) a 89.9% interest in Genie Mongolia, Inc., an oil shale exploration project in Central Mongolia, (3) AMSO, which holds and manages a 43.1% interest in AMSO, LLC, an oil shale development project in Colorado, that is a joint venture with Total, S.A., and (4) an 87.9% interest in IEI, an oil shale development project in Israel’s Shfela Basin.

Genie Mongolia, AMSO and IEI projects are early stage oil shale projects. Oil shale is an organic-rich, fine-grained sedimentary rock that contains significant amounts of kerogen (a solid mixture of organic chemical compounds) from which liquid hydrocarbons can be extracted. However, extracting oil and gas from oil shale is more complex than conventional oil and gas recovery and is more expensive. Rather than pumping it directly out of the ground in the form of liquid oil, the oil shale can be mined and then heated to a high temperature through a process called surface retorting, with the resultant liquid separated and collected. An alternative which we and others are researching and developing is in-situ retorting, which involves heating the oil shale to a temperature of approximately 660°F while it is still underground, and then pumping the resulting liquid and/or gases to the surface. In-situ retorting is considered to be less environmentally invasive than surface retorting and may offer significant economic advantages.

Afek Oil and Gas Ltd.

In April 2013, the Government of Israel finalized the award to Afek of an exclusive three year petroleum exploration license covering 396.5 square kilometers in the southern portion of the Golan Heights. Afek has retained seasoned oil and gas exploration professionals and has contracted with internationally recognized vendors to provide the services required for its exploration project. In 2013, Afek completed preliminary geophysical work including electromagnetic and gravimetric surveys and reprocessing of the 2D seismic data to characterize the subsurface prior to drilling exploration wells. Afek subsequently began the analysis of the acquired data internally and with outside oil exploration experts.

In early 2014, Afek submitted a permit application to the Planning and Construction Committee, North District, to conduct a ten-well exploration drilling program to further characterize the resource in its license area. In July, the Planning and Construction Committee, North District voted to approve the ten well exploratory drilling program, and subsequently issued the requisite permits.

In October, 2014, the High Court of Justice in Israel issued an interim order to halt Afek's drilling program until it could rule on a petition filed by the Israel Union for Environmental Defense and some local residents challenging the issuance of the drilling permit. In December 2014, the Court ruled against petitioners, and lifted its interim order.

In February 2015, Afek began drilling its first exploratory well in Northern Israel's Golan Heights.

Afek incurred research and development expenses of $7.1 million, $4.2 million and nil in the years ended December 31, 2014, 2013 and 2012, respectively.

Genie Mongolia

In April 2013, Genie Mongolia and the Petroleum Authority of Mongolia entered into an exclusive oil shale development agreement to explore and evaluate the commercial potential of oil shale resources in a 34,470 square kilometer area in Central Mongolia. The five year agreement allows Genie Mongolia to explore, identify and characterize the oil shale resource in the exclusive survey area and to conduct a pilot test using in-situ technology on appropriate oil shale deposits.

In September 2014, Genie Mongolia signed a prospecting agreement with the Petroleum Authority of Mongolia covering an additional 25,000 square kilometers in Central Mongolia. The agreement, the first to be signed under recently passed legislation, also provides a framework under which Genie Mongolia can request a commercial production agreement once a specific suitable resource and location are identified.

Under the two agreements, Genie Mongolia currently has exclusive rights to explore for oil shale in approximately 60,000 square kilometers in Mongolia.

In 2014, Genie Mongolia carried out surface mapping, other geophysical evaluation work and exploration drilling within its license areas. In 2015, Genie Mongolia plans to drill roughly four wells to more definitively understand the resources in Mongolia. Upon the successful completion of the exploration program planned in 2015, Genie Mongolia hopes to begin a demonstration project in Mongolia.

Genie Mongolia incurred research and development expenses of $2.7 million, $3.4 million and $2.1 million in the years ended December 31, 2014, 2013 and 2012, respectively.

American Shale Oil Corporation

In 2008 and 2009, AMSO acquired E.G.L. Oil Shale, L.L.C. (which was subsequently renamed American Shale Oil, LLC) in exchange for cash of $5.5 million, certain commitments for future funding of AMSO, LLC’s operations and a 1% override on AMSO, LLC’s future revenue. In March 2009, a subsidiary of TOTAL S.A., or Total, the world’s fifth largest integrated oil and gas company, acquired a 50% interest in AMSO, LLC in exchange for cash paid to us of $3.2 million and Total’s commitment to fund the majority of AMSO, LLC’s research, development and demonstration, or RD&D, expenditures as well as certain other funding commitments.

AMSO is operating the project during the RD&D phase and Total will provide a majority of the funding during this phase of the project, and technical and financial assistance throughout the RD&D and commercial stages of the project. Total will lead the planning of the commercial development and will assume management responsibilities during the subsequent commercial phase.

According to reports from the United States Geological Service, or USGS, oil shale resources in the United States are estimated at over 4 trillion barrels, and based on management estimates, could potentially supply the U.S.’s demand for liquid fuel over the next 100 years. The majority of those deposits are found in the Green River Formation which spans parts of Colorado, Utah and Wyoming, the Piceance Basin of Colorado, and the Uinta Basin of Utah and

Colorado. Colorado's Piceance Basin, where AMSO, LLC's RD&D Lease is located as described below, contains some of the richest oil shale resources in the world (as reported by DOE and USGS sources).

The U.S. Bureau of Land Management, or BLM, effective January 1, 2007, issued to EGL Resources a lease for research, development and demonstration, or RD&D Lease, in western Colorado, which it assigned to its affiliate, E.G.L. Oil Shale, L.L.C. ("EGL"). In April 2008, EGL was acquired by AMSO and IDT and subsequently renamed American Shale Oil, LLC.

The RD&D Lease awarded by the BLM to EGL Resources and acquired by AMSO, LLC covers an area of 160 acres. The lease runs for a ten-year period beginning on January 1, 2007. Under the terms of the lease, AMSO, LLC may apply for an extension of up to five years if AMSO, LLC can demonstrate that a process leading to the production of commercial quantities of shale oil is diligently being pursued. AMSO, LLC intends to apply for a five year extension of its lease in 2015.

If AMSO, LLC can demonstrate the economic and environmental viability of its technology, it will have the opportunity to submit a one-time payment pursuant to the applicable regulations and convert its RD&D Lease to a commercial lease on 5,120 acres which overlap and are contiguous with the 160 acres covered by its RD&D Lease. AMSO, LLC's initial plan is to target the illite-rich mining interval where the "illite" rich oil shale is located. As technologies are developed to facilitate environmentally sound extraction processes from additional areas of the oil shale formation, we would expect to pursue the remaining reserves within our commercial lease.

AMSO, LLC is utilizing a team of experienced experts in various fields to conduct research, development and demonstration activities. AMSO, LLC constructed a surface oil and gas processing facilities and drilled pilot wells for its pilot test in Colorado. The pilot test is intended to confirm the accuracy of several of the key underlying assumptions of AMSO, LLC's proposed in-situ heating and retorting process. In January 2012, AMSO, LLC conducted a fully integrated commissioning test of the above and below ground facilities to determine their readiness for pilot test operations. The underground electric heater did not perform to specifications during the commissioning test. After modifications were made, in March 2013 AMSO, LLC initiated start-up of the oil shale pilot test. After approximately two weeks of operation, the down-hole electric heater failed. Pilot operations were too short to allow conclusions to be drawn about the ultimate viability of AMSO, LLC's technical approach. AMSO, LLC has initiated a comprehensive review of alternative heating system solutions. AMSO, LLC intends to qualify, design, engineer, build and thoroughly test the heating solution offering the best prospects for reliable pilot test operations. A key objective of the development process is to significantly de-risk the pilot operations before heater installation. In addition, this alternative heating system qualification process may result in development of a solution applicable to subsequent phases of the research, development and demonstration project's operations. It is expected that the heater development process will continue into, and possibly through, 2015. Additionally, AMSO, LLC has conducted a series of diagnostic tests to analyze the status of its pilot test's down-hole heating and production well system. The tests are designed to help us determine how the limited pilot test operations conducted in 2012 and 2013, including down-hole heating, have impacted the well system's condition and whether modifications to the pilot test's operational plans will be required.

Equipment modifications and technical issues are common in projects of the complexity and scope of the AMSO, LLC pilot test, particularly given the extent to which new concepts and applications have been incorporated into the pilot test's design.

Upon successful completion of the pilot test, AMSO, LLC will evaluate the appropriate timing to submit an application to convert its research, development and demonstration lease into a commercial lease. AMSO, LLC also expects to design and implement a larger scale demonstration project to further test its process and operations under commercial conditions, and assess scalability to commercial production levels.

AMSO, LLC incurred $7.8 million, $8.6 million and $8.6 million for research and development in the years ended December 31, 2014, 2013 and 2012, respectively.

Israel Energy Initiatives, Ltd.

Israel Energy Initiatives, Ltd., or IEI, holds an exclusive Shale Oil Exploration and Production License awarded in July 2008 by the Government of Israel. The license covers approximately 238 square kilometers in the south of the Shfela region in central Israel. Under the terms of the license, IEI is to conduct a geological appraisal study across the license area, characterize the resource and select a location for a pilot plant in which it will demonstrate its in-situ technology. The initial term of the license was for three years until July 2011. The license has been extended until July 2015.

IEI began its resource appraisal study in 2009, and completed the field work included in its study in 2011. The resource appraisal was comprised primarily of a drilling operation conducted in the license area. The resource appraisal plan included drilling and coring several wells to depths of approximately 600 meters, as well as well logging, analysis of core materials and other geochemical tests, water monitoring and hydrology tests, laboratory analyses of samples and other laboratory experiments. The results from the appraisal process, both from field tests and laboratory experiments, confirmed IEI's expectations as to the attractiveness of the oil shale resource in the license area from the standpoint of richness, thickness and hydrology.

In June 2013, IEI submitted its application for the construction and operation of its oil shale pilot test facility to the Jerusalem District Building and Planning Committee. IEI was asked to provide supplements to the environmental impact assessment and a revised application was submitted in November, 2013. In September 2014, the Jerusalem District Building and Planning Committee voted against issuing the pilot plant building and construction permits.

IEI is evaluating alternative approaches to permitting an oil shale pilot plant before deciding whether and how to proceed with its oil shale development program in the Shfela region.

IEI incurred $2.6 million, $3.7 million and $7.2 million for research and development in the years ended December 31, 2014, 2013 and 2012, respectively.

Other Projects

GOGAS evaluates additional potential exploration and development projects for potential oil and gas resources in other locations. The energy development prospects vary in potential size, applied technology and potential time to commercial production. The prospects we evaluate or pursue are in various stages of development and it is unclear when or if they will be developed or commercialized or prove to be profitable. However, if one or more of these prospects were to be successfully commercialized, they could be significant in terms of their potential impact on our operations and financial condition, and could materially affect our financial results, future prospects and valuation.

Financing

The Company is considering sales of equity interests in the various GOGAS projects or in GOGAS to provide the necessary financing for such activities.

Competition

If GOGAS is successful developing and producing commercial quantities of oil and gas from oil shale and other conventional and unconventional resources in an environmentally acceptable manner and receives all the necessary regulatory approvals, then, in the commercial production phases of operations, it will likely face competition from conventional and unconventional oil producers, other fossil fuels and other alternative energy providers in marketing and selling refined products and natural gas. Many of the potential competitors, including national oil companies, are larger and have substantially greater resources to be able to withstand the volatility of the oil and gas market (including as to price, availability, refining capacity and other factors).

Regulation

AMSO, LLC was granted an RD&D Lease by the BLM for 10 years beginning on January 1, 2007 with up to a 5-year extension upon demonstration that a process leading up to the production of commercial quantities of shale oil is diligently pursued. AMSO, LLC plans to apply for an extension of its RD&D Lease in 2015. Throughout the term of the RD&D Lease, AMSO, LLC will execute various activities and milestones within the technical phases of its research and development plan with the aim of ultimately converting its RD&D Lease to a long term commercial lease.

In order to execute these activities and milestones, AMSO, LLC must obtain the necessary permitting and comply with the various rules, regulations, and policies spanning multiple regulatory bodies and governmental agencies at various levels. In connection with the site characterization phase (which AMSO, LLC completed) and the pilot phase (which is ongoing), AMSO, LLC has been working to ensure compliance with rules, regulations, and policies of the BLM and the Department of Environmental Protection at the federal level, with the Colorado Division of Reclamation and Mining Service and the Air Pollution Control Division and the Water Control Division of the Colorado Department of Public Health and Environment at the state level, and with Rio Blanco County at the county level. In accordance with the technical and regulatory requirements of the RD&D Lease, in May 2009, AMSO, LLC submitted its in-situ Plan of Development to the BLM. In September 2009, the BLM approved AMSO, LLC's Plan of Development, allowing AMSO, LLC to proceed with implementation, subject to compliance with Colorado's permitting requirements (which AMSO, LLC has satisfied). AMSO, LLC continues to refine its Plan of Development in conjunction with its ongoing operations, and the BLM has approved such modifications.

Although AMSO, LLC has diligently worked to satisfy the regulatory requirements and challenges necessary for implementing the site characterization and initial pilot phase of the project, it is difficult at this time to predict all of the compliance requirements that may be necessary throughout the life of the project.

IEI holds an exclusive Shale Oil Exploration and Production License that was extended until July 2015. IEI has applied to the Ministry of Energy and Water in a request to secure its rights over the license period beyond the seven year limit set forth in the Petroleum Law, citing past precedents and the Force Majure doctrine in Israeli Law. Based on third party analysis and initial feedback from the Ministry, we estimate that this issue will be satisfactorily resolved. However, there is no guarantee the license will be extended as described above or that a new license would be granted. The license is subject to certain conditions and milestones and the failure to achieve those milestones may result in the termination, revocation, suspension or limitation of the license.

In order to execute its plan of operation, IEI must obtain and comply with a large number of permits and authorizations from various government agencies, local authorities and other regulators and interested parties in Israel, such as the District Planning Committee, the Ministry of Environmental Protection, the Israel Defense Forces and many others. On September 2, 2014, the Jerusalem District Committee for Planning and Building declined to issue IEI a permit to build and operate a pilot drilling project. IEI is currently evaluating its options to determine the best course of action to move forward to exploit the abundant oil shale resource in Israel.

Afek holds an exclusive exploration license in Northern Israel's Golan Heights. Its ten well exploratory drilling program was licensed by the Planning and Construction Committee, North District. In February 2015, Afek began drilling its first exploratory well. Contingent upon the results of its exploration program, Afek may seek to declare a commercial discovery and apply for a commercial production lease pursuant to Israeli law. The international community considers the Golan Heights an internationally disputed territory, and therefore political risk may affect our ability to execute our plan of operations. This may influence local decision makers, as well as service providers necessary to our operations.

According to the Mongolian constitution, all minerals and other natural resources in the ground are owned by the Mongolian state. A mining license holder does not own the minerals, but is entitled to extract and sell the minerals located within the land area covered by the license on and subject to the terms of the laws. Recently the government of Mongolia has adopted a new petroleum law which now is the governing legislation for all conventional and unconventional oil and gas in Mongolia. The Ministry of Mining is currently finalizing a draft of the unconventional oil and gas regulations as well as a petroleum products law. The new regulations will set a firm basis of the future economic agreement between Genie and the government of Mongolia.

While a comprehensive environmental regulatory regime exists in Mongolia, historical enforcement of environmental obligations has not been adequate. Nevertheless, Genie Mongolia will need to comply with the Mongolian environmental laws, as the law imposes sanctions for non-compliance with environmental obligations and legal requirements, including potential termination or suspension of activities, confiscation of any income arising from such activities, monetary fines and revocation of a mining license. The Criminal Law specifies some criminal charges (heavier monetary fines or imprisonment) for severe environmental violations that result in significant damage to human health, property or flora and fauna.

Finally, in order to engage in mining operations, mining license holders must enter into either a "land possession" or "land use" agreement with the governing authorities of local *soums* and obtain a land certificate. A standard land possession or land use contract indicates the terms of the miner's land use, amount of annual land fees (fixed per hectare as defined by the Government) and duties and entitlements of the contracting parties, namely the *soum* governor and the mining company.

Intellectual Property

We rely on a combination of patents, copyrights, trademarks, domain name registrations and trade secret laws in the United States and other jurisdictions and contractual restrictions to protect our intellectual property rights and our brand names. All of our employees sign confidentiality agreements. These agreements provide that the employee may not use or disclose our confidential information except as expressly permitted in connection with the performance of his or her duties for us, or in other limited circumstances. These agreements also state that, to the extent rights in any invention conceived of by the employee while employed by us do not vest in the Company automatically by operation of law, the employee is required to assign his or her rights to us.

In connection with its RD&D process and related technologies, some patents are registered in the name of AMSO, LLC and some patents are registered in the name of Genie IP BV., a Dutch subsidiary of the Company. AMSO, LLC owns five patents issued in the United States, eleven patents issued abroad, four of which are jointly owned with Lawrence Livermore National Security, LLC ("LLNS"), as well as several pending applications, both in the United States and abroad. The issued or allowed patents include: patent No. 7,743,826 (US), which expires April 16, 2028; patent No. 7,921,907 (US), which expires January 19, 2027; patent No. 8,162,043 (US), which expires January 19, 2027; patent No. 8,464,792 (US), which expires July 27, 2031; patent No. 8,899,331 (US), granted jointly to AMSO, LLC and LLNS, which expires December 29, 2030; patent registration No. 3668 (Mongolia) which expires December 25, 2032; patent registration No. 32691 (Morocco), granted jointly to AMSO, LLC and LLNS on October 1, 2011, which expires September 30, 2029; patent registration No. 3565 (Mongolia), granted jointly to AMSO, LLC and LLNS on April 13, 2012, which expires March 29, 2031; patent No. 508 (Madagascar), granted on December 2, 2011, which expires November 2, 2029; patent No. 606 (Madagascar), granted on April 18, 2014, which expires April 27, 2031; patent registration No. 3590 (Mongolia), granted on April 13, 2012, which expires April 22, 2031; patent No. 32765 (Morocco), granted on November 1, 2011, which expires November 2, 2029; patent registration No. 2,741,861 (Canada), granted on August 27, 2013, which expires November 2, 2029; patent registration No. 2,738,920 (Canada), granted jointly to AMSO, LLC and LLNS, which expires September 30, 2029; and patent registration No. CN 102209835 (China), granted on April 16, 2014, which expires November 1, 2029; patent No. 3895 (Mongolia), granted January 28, 2015, which expires March 29, 2031; and patent appl. No. 222732 (Israel), which should be granted within the next 2 months, and expires March 29, 2031.

Genie IP B.V. owns Mongolian utility models 2050, 2052, 2053, 2054, 2055, and 2067 which all expire on January 23, 2019. The patents and utility models are directed to in-situ methods and systems for the extraction of oil from shale, integral to our technical and operational plans, as well as carbon sequestration in depleted oil shale deposits and down-hole heater technologies. AMSO has also been granted three trademarks in the United States in connection with its operations.

Genie IP B.V. has seven published international Patent Cooperation Treaty (PCT) applications, three published Israeli patent applications and additional unpublished patent applications. Some of these patent applications relate to methods and apparatus for oil extraction from shale, some of these patent applications relate to downstream processing of oil extracted from shale, and some of these patent applications relate to techniques for locating and extracting unconventional naturally-occurring oil from a tight formation.

Employees

GOGAS, excluding AMSO, employs 62 employees, while AMSO (including AMSO, LLC) employs 17 full-time employees, including a secondee assigned by Total. AMSO, IEI, Afek and Genie Mongolia also retain the services of a number of professional consultants, including geologists, hydrologists, drilling and completions engineers, process engineers, environmental experts, permitting consultants, energy experts, legal, and land designation and acquisition consultants.

Industry Segments and Geographic Areas

For disclosure regarding our industry segments and geographic areas, please see Note 16 to our Consolidated Financial Statements in this Annual Report.

Item 1A. Risk Factors.

RISK FACTORS

Our business, operating results or financial condition could be materially adversely affected by any of the following risks as well as the other risks highlighted elsewhere in this document, particularly the discussions about regulation, competition and intellectual property. The trading price of our Class B common stock and Series 2012-A Preferred Stock could decline due to any of these risks.

Risks Related to Genie Retail Energy

The REP business is highly competitive, and we may be forced to cut prices or incur additional costs.

GRE's REP businesses face substantial competition both from the traditional incumbent utilities as well as from other REPs, including REP affiliates of the incumbent utilities in specific territories. As a result, we may be forced to reduce prices, incur increased costs or lose market share and cannot always pass along increases in commodity costs to customers. We compete on the basis of provision of services, customer service and price. Present or future competitors may have greater financial, technical or other resources which could put us at a disadvantage. Additionally, our experience has shown that utilities don't change their sell rates offered to customers immediately in response to increased prices for the underlying commodities. There is a time lag before utilities increase prices to reflect their increased costs and market prices for commodities.

REPs like IDT Energy that offer variable rate products, and reflect real-time commodity costs, may offer variable rates prices which are not competitive with other fixed rate providers.

Conversely, in a downward moving commodity cost environment, variable rate REPs like IDT Energy may benefit from the lag that utilities experience in reducing their sell rate to reflect the lower cost base in the commodity markets, and may reflect commodity costs decreases in their offerings and rates.

Increasing our market share depends in part on our ability to persuade more customers to switch to GRE's services than those that churn from us to other providers or back to the local utility. Moreover, local utilities and some REPs may have certain advantages such as name recognition, financial strength and long-standing relationships with customers. Persuading potential customers to switch to GRE's REPs requires significant marketing and sales operations. If GRE is not successful in convincing customers to switch, our REP businesses, results of operations and financial condition will all be adversely affected.

Fixed Rate Products or Guaranteed Pricing programs could result in losses or decreased profits if GRE fails to estimate commodity prices accurately.

REPs and utilities offering fixed rate products or guaranteed pricing often are unable to change their sell rates offered to customers in response to volatility in the prices of the underlying commodities. In times of high commodity prices, these fixed rate programs expose us to the risk that we will incur significant unforeseen costs in performing the contracts.

However, it is difficult to predict future commodity costs. Any shortfalls resulting from the risks associated with fixed-price programs will reduce our working capital and profitability. Our inability to accurately estimate the cost of providing services under these programs could have an adverse effect on our profitability and cash flows.

GRE's growth depends on its ability to enter new markets.

New markets for our business are determined based on many factors, which include the regulatory environment, as well as GRE's REP businesses ability to procure energy in an efficient and transparent manner. We seek to purchase wholesale energy where there is a real time market that reflects a fair price for the commodity for all participants. Once new markets are determined to be suitable for GRE's REP businesses, we will expend substantial efforts to obtain necessary licenses and will incur significant customer acquisition costs and there can be no assurance that we will be successful in new markets. Furthermore, there are regulatory differences between the markets that we currently operate in and new markets, including, but not limited to, exposure to credit risk, additional churn caused by tariff requirements, rate-setting requirements and incremental billing costs. In 2014, we faced challenges and delays in licensing for new territories, particularly in Pennsylvania. A failure to identify, become licensed in, and enter new territories may have a material negative impact on our growth, financial condition and results of operations.

Unfair business practices or other activities of REPs may adversely affect us.

Competitors in the highly competitive REP market engage in unfair business practices to sign up new customers. Competitors engaging in unfair business practices create an unfavorable impression about our industry on consumers or with regulators or political bodies. Such unfair practices by other companies can adversely affect our ability to grow or maintain our customer base. The successes, failures or other activities of various REPs within the markets that we serve may impact how we are perceived in the market.

Demand for REP services and consumption by customers are significantly related to weather conditions.

Typically, colder winters and hotter summers create higher demand and consumption for natural gas and electricity, respectively. Milder than normal winters and/or summers may reduce the demand for our energy services, thus negatively impacting our financial results.

Unusual weather conditions may have significant direct and indirect impacts on GRE's business and results of operations.

A confluence of issues in January and February 2014 associated with the 2013-2014 winter season's polar vortex resulted in extraordinarily large spikes in the prices of wholesale electricity and natural gas in markets where GRE and other retail providers purchase their supply. These factors included sustained, extremely cold weather, constriction of natural gas required to fuel electricity generation plants, the resulting failure of the Independent System Operators (ISO) to deliver peak power at a reasonable cost, and unusually volatile commodity trading in the financial markets. In some regions, wholesale prices increased briefly by factors of more than eight times. Because of dramatic increases in wholesale electricity costs, the retail electricity prices that GRE's REPs and many other variable rate electricity suppliers charged to their customers increased sharply in January and February 2014. The unusually cold weather and resultant high energy costs also adversely affected GRE's customer churn and customer acquisition efforts. GRE responded by reducing its target margins in order to mitigate the severity of the commodity price increases on its customers. In addition, in the year ended December 31, 2014, GRE issued approximately $5 million in rebates to hard hit customers.

Repeats of the circumstances described above or similar circumstances could similarly harm margins and profitability in the future, and we could find it necessary to take similar or other actions that would have a negative impact on our financial condition and results of operations.

Because our variable pricing plan resulted in increased prices c