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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2019**

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

For the transition period from _____ to _____

Commission File Number: **000-21467**

PACIFIC ETHANOL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**41-2170618**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
400 Capitol Mall, Suite 2060, Sacramento, California	**95814**
(Address of principal executive offices)	(zip code)

(916) 403-2123
(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ☐
Non-accelerated filer ☐
Emerging growth company ☐
Accelerated filer ☒
Smaller reporting 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 ☒

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	PEIX	The Nasdaq Stock Market LLC (Nasdaq Capital Market)

As of May 2, 2019, there were 49,868,433 shares of Pacific Ethanol, Inc. common stock, $0.001 par value per share, and 896 shares of Pacific Ethanol, Inc. non-voting common stock, $0.001 par value per share, outstanding.

PART I
FINANCIAL INFORMATION

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PACIFIC ETHANOL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	March 31, 2019 (unaudited)	December 31, 2018 *
Current Assets:		
Cash and cash equivalents	$ 21,751	$ 26,627
Accounts receivable, net (net of allowance for doubtful accounts of $38 and $12, respectively)	78,402	67,636
Inventories	62,731	57,820
Prepaid inventory	5,140	3,090
Income tax receivable	612	612
Derivative instruments	1,155	1,765
Other current assets	6,906	11,254
Total current assets	176,697	168,804
Property and equipment, net	472,735	482,657
Other Assets:		
Right of use operating lease assets, net	41,839	—
Intangible asset	2,678	2,678
Other assets	5,072	5,842
Total other assets	49,589	8,520
Total Assets	$ 699,021	$ 659,981

* Amounts derived from the audited financial statements for the year ended December 31, 2018.

See accompanying notes to consolidated financial statements.

PACIFIC ETHANOL, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(in thousands, except par value)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2019 (unaudited)	December 31, 2018 *
Current Liabilities:		
Accounts payable – trade	$ 50,531	$ 48,176
Accrued liabilities	22,773	23,421
Current portion – operating leases	7,568	—
Current portion – long-term debt	143,148	146,671
Derivative instruments	5,156	6,309
Other current liabilities	6,993	7,282
Total current liabilities	236,169	231,859
Long-term debt, net of current portion	96,433	84,767
Operating leases, net of current portion	33,091	—
Assessment financing	9,342	9,342
Other liabilities	14,627	14,648
Total Liabilities	389,662	340,616
Commitments and Contingencies (Note 7)		
Stockholders' Equity:		
Pacific Ethanol, Inc. Stockholders' Equity:		
Preferred stock, $0.001 par value; 10,000 shares authorized; Series A: 1,684 shares authorized; no shares issued and outstanding as of March 31, 2019 and December 31, 2018; Series B: 1,581 shares authorized; 927 shares issued and outstanding as of March 31, 2019 and December 31, 2018; liquidation preference of $18,075 as of March 31, 2018	1	1
Common stock, $0.001 par value; 300,000 shares authorized; 48,884 and 45,771 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	49	46
Non-voting common stock, $0.001 par value; 3,553 shares authorized; 1 share issued and outstanding as of March 31, 2019 and December 31, 2018	—	—
Additional paid-in capital	936,643	932,179
Accumulated other comprehensive loss	(2,459)	(2,459)
Accumulated deficit	(643,202)	(630,000)
Total Pacific Ethanol, Inc. Stockholders' Equity	291,032	299,767
Noncontrolling interests	18,327	19,598
Total Stockholders' Equity	309,359	319,365
Total Liabilities and Stockholders' Equity	$ 699,021	$ 659,981

* Amounts derived from the audited financial statements for the year ended December 31, 2018.

See accompanying notes to consolidated financial statements.

PACIFIC ETHANOL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2019	2018
Net sales	$ 355,803	$ 400,027
Cost of goods sold	358,092	396,665
Gross profit (loss)	(2,289)	3,362
Selling, general and administrative expenses	8,235	9,315
Loss from operations	(10,524)	(5,953)
Interest expense, net	(4,736)	(4,505)
Other income, net	1,099	398
Loss before benefit for income taxes	(14,161)	(10,060)
Benefit for income taxes	—	563
Consolidated net loss	(14,161)	(9,497)
Net loss attributed to noncontrolling interests	1,271	1,656
Net loss attributed to Pacific Ethanol, Inc.	$ (12,890)	$ (7,841)
Preferred stock dividends	$ (312)	$ (312)
Net loss available to common stockholders	$ (13,202)	$ (8,153)
Net loss per share, basic and diluted	$ (0.29)	$ (0.19)
Weighted-average shares outstanding, basic and diluted	45,517	42,912

See accompanying notes to consolidated financial statements.

PACIFIC ETHANOL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Three Months Ended March 31,	
	2019	2018
Operating Activities:		
Consolidated net loss	$ (14,161)	$ (9,497)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation	12,126	10,164
Deferred income taxes	—	(563)
Amortization of debt discount	178	178
Non-cash compensation	800	736
Amortization of deferred financing fees	135	465
Loss (gain) on derivatives	86	462
Bad debt expense	26	47
Changes in operating assets and liabilities:		
Accounts receivable	(9,970)	6,080
Inventories	(4,911)	(8,712)
Prepaid expenses and other assets	5,117	1,370
Prepaid inventory	(2,050)	(328)
Operating leases	(2,676)	—
Accounts payable and accrued liabilities	273	8,508
Net cash provided by (used in) operating activities	(15,027)	8,910
Investing Activities:		
Additions to property and equipment	(1,112)	(4,357)
Net cash used in investing activities	(1,112)	(4,357)
Financing Activities:		
Net proceeds from Kinergy's line of credit	13,153	8,722
Proceeds from issuance of common stock	3,670	—
Principal payments on borrowings	(5,248)	(5,000)
Principal payments on capital leases	—	(403)
Proceeds from assessment financing	—	331
Preferred stock dividends paid	(312)	(312)
Net cash provided by financing activities	11,263	3,338
Net increase (decrease) in cash and cash equivalents	(4,876)	7,891
Cash and cash equivalents at beginning of period	26,627	49,489
Cash and cash equivalents at end of period	$ 21,751	$ 57,380
Supplemental Information:		
Interest paid	$ 4,260	$ 3,593
Income taxes received	$ —	$ 168
Initial right of use assets and liabilities recorded under ASC 842	$ 43,753	$ —

See accompanying notes to consolidated financial statements.

PACIFIC ETHANOL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited, in thousands)

	Preferred Stock		Common Stock						
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accum. Other Comprehensive Income (Loss)	Non-Controlling Interests	Total
Balances, January 1, 2019	927	$ 1	45,771	$ 46	$ 932,179	$ (630,000)	$ (2,459)	$ 19,598	$ 319,365
Stock-based compensation expense – restricted stock issued to employees and directors, net of cancellations and tax	—	—	(24)	—	797	—	—	—	797
Issuances of common stock	—	—	3,137	3	3,667	—	—	—	3,670
Preferred stock dividends	—	—	—	—	—	(312)	—	—	(312)
Net loss	—	—	—	—	—	(12,890)	—	(1,271)	(14,161)
Balances, March 31, 2019	927	$ 1	48,884	$ 49	$ 936,643	$ (643,202)	$ (2,459)	$ 18,327	$ 309,359
Balances, January 1, 2018	927	$ 1	43,986	$ 44	$ 927,090	$ (568,462)	$ (2,234)	$ 27,261	$ 383,700
Stock-based compensation expense – restricted stock issued to employees and directors, net of cancellations and tax	—	—	(31)	—	735	—	—	—	735
Preferred stock dividends	—	—	—	—	—	(312)	—	—	(312)
Net loss	—	—	—	—	—	(7,841)	—	(1,656)	(9,497)
Balances, March 31, 2018	927	$ 1	43,955	$ 44	$ 927,825	$ (576,615)	$ (2,234)	$ 25,605	$ 374,626

PACIFIC ETHANOL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. ORGANIZATION AND BASIS OF PRESENTATION.

Organization and Business – The consolidated financial statements include, for all periods presented, the accounts of Pacific Ethanol, Inc., a Delaware corporation ("Pacific Ethanol"), and its direct and indirect subsidiaries (collectively, the "Company"), including its subsidiaries, Kinergy Marketing LLC, an Oregon limited liability company ("Kinergy"), Pacific Ag. Products, LLC, a California limited liability company ("PAP"), PE Op Co., a Delaware corporation ("PE Op Co.") and all nine of the Company's ethanol production facilities.

The Company is a leading producer and marketer of low-carbon renewable fuels in the United States. The Company's four ethanol plants in the Western United States (together with their respective holding companies, the "Pacific Ethanol West Plants") are located in close proximity to both feed and ethanol customers and thus enjoy unique advantages in efficiency, logistics and product pricing. The Company's five ethanol plants in the Midwest (together with their respective holding companies, the "Pacific Ethanol Central Plants") are located in the heart of the Corn Belt, benefit from low-cost and abundant feedstock production and allow for access to many additional domestic markets. In addition, the Company's ability to load unit trains from these facilities in the Midwest allows for greater access to international markets.

The Company has a combined production capacity of 605 million gallons per year, markets, on an annualized basis, nearly 1.0 billion gallons of ethanol and specialty alcohols, and produces, on an annualized basis, over 3.0 million tons of co-products on a dry matter basis, such as wet and dry distillers grains, wet and dry corn gluten feed, condensed distillers solubles, corn gluten meal, corn germ, dried yeast and CO_2.

As of March 31, 2019, all but one of the Company's production facilities, specifically, the Company's Aurora East facility, were operating. As market conditions change, the Company may increase, decrease or idle production at one or more operating facilities or resume operations at any idled facility.

Basis of Presentation–Interim Financial Statements – The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Results for interim periods should not be considered indicative of results for a full year. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. The accounting policies used in preparing these consolidated financial statements are the same as those described in Note 1 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, with the exception of new lease accounting, as discussed further below. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current presentation. Such reclassifications had no effect on the consolidated net loss, working capital or stockholders' equity.

Liquidity – The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company and the ethanol industry as a whole experienced significant adverse conditions throughout most of 2018 as a result of industry-wide record low ethanol prices due to reduced demand and high industry inventory levels. These factors resulted in prolonged negative operating margins, significantly lower cash flow from operations and substantial net losses. Margins improved for the first quarter of 2019, and have further improved thus far in the second quarter of 2019 . In response to the low-margin environment, the Company initiated and expects to complete over the next five months strategic initiatives focused on the potential sale of certain production assets, a reduction of its debt levels, a strengthening of its cash and liquidity position, and opportunities for strategic partnerships and capital raising activities, positioning the Company to optimize its business performance. The most significant challenge to the Company in meeting these objectives would be a continued adverse margin environment.

In implementing these strategic initiatives, the Company, as of March 31, 2019, had the following available liquidity and capital resources to achieve its objectives:

- Cash of $21.8 million and excess availability under Kinergy's line of credit of $21.8 million;
- Nine ethanol production facilities with an aggregate of 605 million gallons of annual production capacity, of which plant assets representing 355 million gallons of capacity are either unencumbered, or their entire sales proceeds would be used to repay the Company's senior secured notes. The Company has engaged an independent third party to help facilitate the marketing of certain of these assets; and
- In excess of $20 million of equity available under the Company's shelf registration statement, including under its at-the-market equity program. These funds would first be required to repay the Company's senior secured notes.

The Company also will continue working with its lenders to pursue other options to increase liquidity and extend the maturity dates of its debt.

The Company believes that its strategic initiatives will provide sufficient liquidity to meet its anticipated working capital, debt service and other liquidity needs through the next twelve months.

Accounts Receivable and Allowance for Doubtful Accounts – Trade accounts receivable are presented at face value, net of the allowance for doubtful accounts. The Company sells ethanol to gasoline refining and distribution companies, sells distillers grains and other feed co-products to dairy operators and animal feedlots and sells corn oil to poultry and biodiesel customers generally without requiring collateral.

The Company maintains an allowance for doubtful accounts for balances that appear to have specific collection issues. The collection process is based on the age of the invoice and requires attempted contacts with the customer at specified intervals. If, after a specified number of days, the Company has been unsuccessful in its collection efforts, a bad debt allowance is recorded for the balance in question. Delinquent accounts receivable are charged against the allowance for doubtful accounts once uncollectibility has been determined. The factors considered in reaching this determination are the apparent financial condition of the customer and the Company's success in contacting and negotiating with the customer. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of ability to make payments, additional allowances may be required.

Of the accounts receivable balance, approximately $67,319,000 and $54,820,000 at March 31, 2019 and December 31, 2018, respectively, were used as collateral under Kinergy's operating line of credit. The allowance for doubtful accounts was $38,000 and $12,000 as of March 31, 2019 and December 31, 2018, respectively. The Company recorded a bad debt expense of $26,000 and $47,000 for the three months ended March 31, 2019 and 2018, respectively. The Company does not have any off-balance sheet credit exposure related to its customers.

Financial Instruments – The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these items. The Company believes the carrying value of its long-term debt approximates fair value because the interest rates on these instruments are variable, and are considered Level 2 fair value measurements.

Recent Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board ("FASB") issued new guidance on accounting for leases under Accounting Standards Codification 842 ("ASC 842"). Under the new guidance, lessees are required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted cash flow basis; and (2) a "right of use" asset, which is an asset that represents the lessee's right to use the specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged, with some minor exceptions. Lease expense under the new guidance is substantially the same as prior to the adoption. See Note 5 for further information.

Estimates and Assumptions – The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are required as part of determining the allowance for doubtful accounts, net realizable value of inventory, estimated lives of property and equipment, long-lived asset impairments, valuation allowances on deferred income taxes and the potential outcome of future tax consequences of events recognized in the Company's financial statements or tax returns, and the valuation of assets acquired and liabilities assumed as a result of business combinations. Actual results and outcomes may materially differ from management's estimates and assumptions.

2. SEGMENTS.

The Company reports its financial and operating performance in two segments: (1) ethanol production, which includes the production and sale of ethanol, specialty alcohols and co-products, with all of the Company's production facilities aggregated, and (2) marketing and distribution, which includes marketing and merchant trading for Company-produced ethanol, specialty alcohols and co-products and third-party ethanol.

The following tables set forth certain financial data for the Company's operating segments (in thousands):

	Three Months Ended March 31,	
Net Sales	2019	2018
Production, recorded as gross:		
Ethanol/alcohol sales	$ 179,388	$ 219,628
Co-product sales	68,806	74,534
Intersegment sales	364	474
Total production sales	248,558	294,636
Marketing and distribution:		
Ethanol/alcohol sales, gross	$ 107,154	$ 105,429
Ethanol/alcohol sales, net	455	436
Intersegment sales	1,818	2,226
Total marketing and distribution sales	109,427	108,091
Intersegment eliminations	(2,182)	(2,700)
Net sales as reported	$ 355,803	$ 400,027
Cost of goods sold:		
Production	$ 258,594	$ 298,431
Marketing and distribution	101,829	100,932
Intersegment eliminations	(2,331)	(2,698)
Cost of goods sold, as reported	$ 358,092	$ 396,665
Income (loss) before benefit for income taxes:		
Production	$ (17,566)	$ (12,445)
Marketing and distribution	6,119	5,750
Corporate activities	(2,714)	(3,365)
	$ (14,161)	$ (10,060)
Depreciation and amortization:		
Production	$ 12,005	$ 9,932
Corporate activities	121	232
	$ 12,126	$ 10,164
Interest expense:		
Production	$ 1,706	$ 2,024
Marketing and distribution	588	363
Corporate activities	2,442	2,118
	$ 4,736	$ 4,505

The following table sets forth the Company's total assets by operating segment (in thousands):

	March 31, 2019	December 31, 2018
Total assets:		
Production	$ 558,379	$ 532,790
Marketing and distribution	123,552	112,984
Corporate assets	17,090	14,117
	$ 699,021	$ 659,891

3. INVENTORIES.

Inventories consisted primarily of bulk ethanol, specialty alcohols, corn, co-products, low-carbon and Renewable Identification Number ("RIN") credits and unleaded fuel, and are valued at the lower-of-cost-or-net realizable value, with cost determined on a first-in, first-out basis. Inventory is net of a $223,000 and $2,328,000 valuation adjustment as of March 31, 2019 and December 31, 2018, respectively. Inventory balances consisted of the following (in thousands):

	March 31, 2019	December 31, 2018
Finished goods	$ 42,355	$ 35,778
Work in progress	7,180	6,855
Raw materials	6,352	7,233
Low-carbon and RIN credits	4,973	6,130
Other	1,871	1,824
Total	$ 62,731	$ 57,820

4. DERIVATIVES.

The business and activities of the Company expose it to a variety of market risks, including risks related to changes in commodity prices. The Company monitors and manages these financial exposures as an integral part of its risk management program. This program recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effects that market volatility could have on operating results.

Commodity Risk – Cash Flow Hedges – The Company uses derivative instruments to protect cash flows from fluctuations caused by volatility in commodity prices for periods of up to twelve months in order to protect gross profit margins from potentially adverse effects of market and price volatility on ethanol sale and purchase commitments where the prices are set at a future date and/or if the contracts specify a floating or index-based price for ethanol. In addition, the Company hedges anticipated sales of ethanol to minimize its exposure to the potentially adverse effects of price volatility. These derivatives may be designated and documented as cash flow hedges and effectiveness is evaluated by assessing the probability of the anticipated transactions and regressing commodity futures prices against the Company's purchase and sales prices. Ineffectiveness, which is defined as the degree to which the derivative does not offset the underlying exposure, is recognized immediately in cost of goods sold. For the three months ended March 31, 2019 and 2018, the Company did not designate any of its derivatives as cash flow hedges.

Commodity Risk – Non-Designated Hedges – The Company uses derivative instruments to lock in prices for certain amounts of corn and ethanol by entering into exchange-traded forward contracts for those commodities. These derivatives are not designated for hedge accounting treatment. The changes in fair value of these contracts are recorded on the balance sheet and recognized immediately in cost of goods sold. The Company recognized losses of $86,000 and $462,000 as the changes in the fair values of these contracts for the three months ended March 31, 2019 and 2018, respectively.

Non Designated Derivative Instruments – The classification and amounts of the Company's derivatives not designated as hedging instruments, and related cash collateral balances, are as follows (in thousands):

	As of March 31, 2019			
	Assets		Liabilities	
Type of Instrument	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Cash collateral balance	Other current assets	$ 4,409		
Commodity contracts	Derivative instruments	$ 1,155	Derivative instruments	$ 5,156

	As of December 31, 2018			
	Assets		Liabilities	
Type of Instrument	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Cash collateral balance	Other current assets	$ 8,479		
Commodity contracts	Derivative instruments	$ 1,765	Derivative instruments	$ 6,309

The classification and amounts of the Company's recognized gains (losses) for its derivatives not designated as hedging instruments are as follows (in thousands):

		Realized Losses	
		Three Months Ended March 31,	
Type of Instrument	Statements of Operations Location	2019	2018
Commodity contracts	Cost of goods sold	$ (630)	$ (1,658)

		Unrealized Gains	
		Three Months Ended March 31,	
Type of Instrument	Statements of Operations Location	2019	2018
Commodity contracts	Cost of goods sold	$ 544	$ 1,196

5. LEASES.

As discussed in Note 1, on January 1, 2019, the Company adopted the provisions of ASC 842 using the prospective transition approach, which applies the provisions of ASC 842 upon adoption, with no change to prior periods. This adoption resulted in the Company recognizing initial right of use assets and lease liabilities of $43.8 million. The adoption did not have a significant impact on the Company's consolidated statement of operations.

Upon the initial adoption of ASC 842, the Company elected the following practical expedients allowable under the guidance: not to reassess whether any expired or existing contracts are or contain leases; not to reassess the lease classification for any expired or existing leases; not to reassess initial direct costs for any existing leases; not to separately identify lease and nonlease components; and not to evaluate historical land easements. Additionally, the Company elected the short-term lease exemption policy, applying the requirements of ASC 842 to only long-term (greater than 1 year) leases.

The Company leases railcar equipment, office equipment and land for certain of its facilities. Operating lease right of use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses its estimated incremental borrowing rate, unless an implicit rate is readily determinable, as the discount rate for each lease in determining the present value of lease payments. For the three months ended March 31, 2019, the Company's weighted average discount rate was 6.01%. Operating lease expense is recognized on a straight-line basis over the lease term.

The Company determines if an arrangement is a lease or contains a lease at inception. The Company's leases have remaining lease terms of approximately 1 year to 57 years, which may include options to extend the lease when it is reasonably certain the Company will exercise those options. For the three months ended March 31, 2019, the weighted average remaining lease term was 15.4 years. The Company does not have lease arrangements with residual value guarantees, sale leaseback terms or material restrictive covenants. The Company does not have any material finance lease obligations nor sublease agreements.

The following table summarizes the remaining maturities of the Company's operating lease liabilities, assuming all land lease extensions are taken, as of March 31, 2019 (in thousands):

Year Ended:		
2019	$	7,497
2020		8,370
2021		5,413
2022		5,240
2023		4,513
2024-76		40,282
	$	71,315

For the three months ended March 31, 2019, the Company recorded operating lease costs of $2,263,000 in cost of goods sold and $118,000 in selling, general and administrative expenses in the Company's statements of operations

6. DEBT.

Long-term borrowings are summarized as follows (in thousands):

	March 31, 2019	December 31, 2018
Kinergy line of credit	$ 70,209	$ 57,057
Pekin term loan	43,000	43,000
Pekin revolving loan	32,000	32,000
ICP term loan	15,000	16,500
ICP revolving loan	18,000	18,000
Parent notes payable	63,200	66,948
	241,409	233,505
Less unamortized debt discount	(511)	(690)
Less unamortized debt financing costs	(1,317)	(1,377)
Less short-term portion	(143,148)	(146,671)
Long-term debt	$ 96,433	$ 84,767

Kinergy Operating Line of Credit – On March 27, 2019, Kinergy amended its credit facility to increase, until September 30, 2019 or earlier on ten days prior notice from the lender, the borrowing base under the credit facility to 90% (increased from 85%) of eligible accounts receivable, plus the lesser of (a) $50,000,000, (b) 80% of eligible inventory (increased from 70%), or (c) 95% of the estimated recovery value of eligible inventory (increased from 85%). With respect to these additional borrowings, to the extent outstanding, the additional borrowings will accrue interest at an annual rate equal to the daily three month LIBOR plus an applicable margin of 4.00%. As of March 31, 2019, Kinergy had additional borrowing availability under its credit facility of $21,848,000, including $7,532,000 of incremental availability under the aforementioned temporary increase.

Pekin Term Loan – On March 30, 2018, Pacific Ethanol Pekin, LLC ("PE Pekin"), one of the Company's subsidiaries, amended its term loan facility by reducing the amount of working capital it is required to maintain to not less than $13.0 million from March 31, 2018 through November 30, 2018 and not less than $16.0 million from December 1, 2018 and continuing at all times thereafter. In addition, a principal payment in the amount of $3.5 million due for May 2018 was deferred until the maturity date of the term loan. As of the filing of this report, the Company believes PE Pekin is in compliance with its working capital requirement.

On March 21, 2019, PE Pekin amended its term and revolving credit facilities by agreeing to increase the interest rate under the facilities by 125 basis points to an annual rate equal to the 30-day LIBOR plus 5.00%. PE Pekin and its lender also agreed that it is required to maintain working capital of not less than $15,000,000 from March 21, 2019 through July 15, 2019 and working capital of not less than $30,000,000 from July 15, 2019 and continuing at all times thereafter.

Under this amendment, the lenders agreed to temporarily waive financial covenant violations, working capital maintenance violations and intercompany accounts receivable collections violations that occurred with respect to PE Pekin's credit agreement. The lenders also agreed to defer all scheduled principal payments, including further deferral of a principal payment in the amount of $3,500,000 due on February 20, 2019 which was previously deferred by the parties.

The waivers and principal deferral expire on July 15, 2019, or earlier in the case of an event of default, at which time the waivers will become permanent if Pacific Ethanol Central, LLC ("PE Central"), PE Pekin's parent, has made a contribution to PE Pekin in an amount equal to $30,000,000, minus the then-existing amount of PE Pekin's working capital, plus the amount of any accounts receivable owed by PE Central to PE Pekin,plus $12,000,000 (the "PE Central Contribution Amount"). In addition, if the PE Central Contribution Amount is timely received, the lenders agreed to waive PE Pekin's debt service coverage ratio financial covenant for the year ended December 31, 2019. If the PE Central Contribution Amount is not timely made, then the temporary waivers will automatically expire.

PE Pekin is also required to pay by July 15, 2019 the aggregate amount of $14,000,000 representing all deferred scheduled principal payments and all additional scheduled principal payments for the remainder of 2019.

Restrictions – At March 31, 2019, there were approximately $195.0 million of net assets at the Company's subsidiaries that were not available to be transferred to Pacific Ethanol, Inc. in the form of dividends, loans or advances due to restrictions contained in the credit facilities of the Company's subsidiaries.

7. COMMITMENTS AND CONTINGENCIES.

Sales Commitments – At March 31, 2019, the Company had entered into sales contracts with its major customers to sell certain quantities of ethanol and co-products. The Company had open ethanol indexed-price contracts for 241,528,000 gallons of ethanol as of March 31, 2019 and open fixed-price ethanol sales contracts totaling $80,294,000 as of March 31, 2019. The Company had open fixed-price co-product sales contracts totaling $31,376,000 and open indexed-price co-product sales contracts for 721,000 tons as of March 31, 2019. These sales contracts are scheduled to be completed throughout 2019.

Purchase Commitments – At March 31, 2019, the Company had indexed-price purchase contracts to purchase 11,442,000 gallons of ethanol and fixed-price purchase contracts to purchase $5,605,000 of ethanol from its suppliers. The Company had fixed-price purchase contracts to purchase $16,700,000 of corn from its suppliers as of March 31, 2019. These purchase commitments are scheduled to be satisfied throughout 2019.

Litigation – General – The Company is subject to various claims and contingencies in the ordinary course of its business, including those related to litigation, business transactions, employee-related matters, environmental regulations, and others. When the Company is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company will record a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the claim if the likelihood of a potential loss is reasonably possible and the amount involved could be material. While there can be no assurances, the Company does not expect that any of its pending legal proceedings will have a material impact on the Company's financial condition or results of operations.

8. PENSION PLANS.

The Company sponsors a defined benefit pension plan (the "Retirement Plan") and a health care and life insurance plan (the "Postretirement Plan"). The Company assumed the Retirement Plan and the Postretirement Plan as part of its acquisition of PE Central on July 1, 2015.

The Retirement Plan is noncontributory, and covers only "grandfathered" unionized employees at the Company's Pekin, Illinois facility who fulfill minimum age and service requirements. Benefits are based on a prescribed formula based upon the employee's years of service. The Retirement Plan, which is part of a collective bargaining agreement, covers only union employees hired prior to November 1, 2010.

The Company uses a December 31 measurement date for its Retirement Plan. The Company's funding policy is to make the minimum annual contribution required by applicable regulations. As of December 31, 2018, the Retirement Plan's accumulated projected benefit obligation was $18.7 million, with a fair value of plan assets of $13.3 million. The underfunded amount of $5.4 million is recorded on the Company's consolidated balance sheet in other liabilities. For the three months ended March 31, 2019, the Retirement Plan's net periodic expense was $94,000, comprised of $190,000 in interest cost and $94,000 in service cost, partially offset by $190,000 of expected return on plan assets. For the three months ended March 31, 2018, the Retirement Plan's net periodic expense was $76,000, comprised of $174,000 in interest cost and $106,000 in service cost, partially offset by $204,000 of expected return on plan assets.

The Postretirement Plan provides postretirement medical benefits and life insurance to certain "grandfathered" unionized employees. Employees hired after December 31, 2000 are not eligible to participate in the Postretirement Plan. The Postretirement Plan is contributory, with contributions required at the same rate as active employees. Benefit eligibility under the plan reduces at age 65 from a defined benefit to a defined dollar cap based upon years of service. As of December 31, 2018, the Postretirement Plan's accumulated projected benefit obligation was $5.7 million and is recorded on the Company's consolidated balance sheet in other liabilities. The Company's funding policy is to make the minimum annual contribution required by applicable regulations. For the three months ended March 31, 2019, the Postretirement Plan's net periodic expense was $102,000, comprised of $55,000 of interest cost, $17,000 of service cost and $30,000 of amortization expense. For the three months ended March 31, 2018, the Postretirement Plan's net periodic expense was $81,000, comprised of $46,000 of interest cost, $2,000 of service cost and $33,000 of amortization expense.

9. FAIR VALUE MEASUREMENTS.

The fair value hierarchy prioritizes the inputs used in valuation techniques into three levels, as follows:

- Level 1 – Observable inputs – unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data; and

- Level 3 – Unobservable inputs – includes amounts derived from valuation models where one or more significant inputs are unobservable. For fair value measurements using significant unobservable inputs, a description of the inputs and the information used to develop the inputs is required along with a reconciliation of Level 3 values from the prior reporting period.

Pooled separate accounts – Pooled separate accounts invest primarily in domestic and international stocks, commercial paper or single mutual funds. The net asset value is used as a practical expedient to determine fair value for these accounts. Each pooled separate account provides for redemptions by the Retirement Plan at reported net asset values per share, with little to no advance notice requirement, therefore these funds are classified within Level 2 of the valuation hierarchy.

Other Derivative Instruments – The Company's other derivative instruments consist of commodity positions. The fair values of the commodity positions are based on quoted prices on the commodity exchanges and are designated as Level 1 inputs.

The following table summarizes recurring fair value measurements by level at March 31, 2019 (in thousands):

	Fair Value	Level 1	Level 2	Level 3
Assets:				
Derivative financial instruments(1)	$ 1,155	$ 1,155	$ —	$ —
	$ 1,155	$ 1,155	$ —	$ —
Liabilities:				
Derivative financial instruments(6)	$ (5,156)	$ (5,156)	$ —	$ —
	$ (5,156)	$ (5,156)	$ —	$ —

The following table summarizes recurring fair value measurements by level at December 31, 2018 (in thousands):

	Fair Value	Level 1	Level 2	Level 3	Benefit Plan Percentage Allocation
Assets:					
Derivative financial instruments(1)	$ 1,765	$ 1,765	$ —	$ —	
Defined benefit plan assets (pooled separate accounts):					
Large U.S. Equity(2)	3,621	—	3,621	—	27%
Small/Mid U.S. Equity(3)	1,844	—	1,844	—	14%
International Equity(4)	2,106	—	2,106	—	16%
Fixed Income(5)	5,686	—	5,686	—	43%
	$ 15,022	$ 1,765	$ 13,257	$ —	
Liabilities:					
Derivative financial instruments	$ (6,309)	$ (6,309)	$ —	$ —	

(1) Included in derivative instruments in the consolidated balance sheets.
(2) This category includes investments in funds comprised of equity securities of large U.S. companies. The funds are valued using the net asset value method in which an average of the market prices for the underlying investments is used to value the fund.
(3) This category includes investments in funds comprised of equity securities of small- and medium-sized U.S. companies. The funds are valued using the net asset value method in which an average of the market prices for the underlying investments is used to value the fund.
(4) This category includes investments in funds comprised of equity securities of foreign companies including emerging markets. The funds are valued using the net asset value method in which an average of the market prices for the underlying investments is used to value the fund.

(5) This category includes investments in funds comprised of U.S. and foreign investment-grade fixed income securities, high-yield fixed income securities that are rated below investment-grade, U.S. treasury securities, mortgage-backed securities, and other asset-backed securities. The funds are valued using the net asset value method in which an average of the market prices for the underlying investments is used to value the fund.
(6) Included in derivative instruments in the consolidated balance sheets.

10. EARNINGS PER SHARE.

The following tables compute basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended March 31, 2019		
	Loss Numerator	Shares Denominator	Per-Share Amount
Net loss attributed to Pacific Ethanol, Inc.	$ (12,890)		
Less: Preferred stock dividends	(312)		
Basic and diluted loss per share:			
Net loss available to common stockholders	$ (13,202)	45,517	$ (0.29)

	Three Months Ended March 31, 2018		
	Loss Numerator	Shares Denominator	Per-Share Amount
Net loss attributed to Pacific Ethanol, Inc.	$ (7,841)		
Less: Preferred stock dividends	(312)		
Basic and diluted loss per share:			
Net loss available to common stockholders	$ (8,153)	42,912	$ (0.19)

There were an aggregate of 635,000 and 912,000 potentially dilutive weighted-average shares from convertible securities outstanding for the three months ended March 31, 2019 and 2018, respectively. These convertible securities were not considered in calculating diluted net loss per share for the three months ended March 31, 2019 and 2018, as their effect would have been anti-dilutive.

11. PARENT COMPANY FINANCIALS.

Restricted Net Assets – At March 31, 2019, the Company had approximately $195,000,000 of net assets at its subsidiaries that were not available to be transferred to Pacific Ethanol in the form of dividends, distributions, loans or advances due to restrictions contained in the credit facilities of these subsidiaries.

Parent company financial statements for the periods covered in this report are set forth below (in thousands):

ASSETS	March 31, 2019	December 31, 2018
Current Assets:		
Cash and cash equivalents	$ 6,282	$ 6,759
Receivables from subsidiaries	10,378	17,156
Other current assets	1,710	1,659
Total current assets	18,370	25,574
Property and equipment, net	447	522
Other Assets:		
Investments in subsidiaries	282,132	286,666
Pacific Ethanol West plant receivable	58,766	58,766
Right of use operating lease assets, net	3,444	—
Other assets	1,437	1,437
Total other assets	345,779	346,869
Total Assets	$ 364,596	$ 372,965
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 2,950	$ 2,469
Accrued PE Op Co. purchase	3,829	3,829
Current portion of long-term debt	62,689	66,255
Other current liabilities	613	385
Total current liabilities	70,081	72,938
Operating leases, net of current portion	3,231	—
Deferred tax liabilities	251	251
Other liabilities	1	9
Total Liabilities	73,564	73,198
Stockholders' Equity:		
Preferred stock	1	1
Common and non-voting common stock	49	46
Additional paid-in capital	936,643	932,179
Accumulated other comprehensive loss	(2,459)	(2,459)
Accumulated deficit	(643,202)	(630,000)
Total Pacific Ethanol, Inc. stockholders' equity	291,032	299,767
Total Liabilities and Stockholders' Equity	$ 364,596	$ 372,965

	Three Months Ended March 31,	
	2019	2018
Management fees from subsidiaries	$ 3,330	$ 3,078
Selling, general and administrative expenses	4,729	5,376
Loss from operations	(1,399)	(2,298)
Interest income	1,159	1,161
Interest expense	(2,456)	(2,132)
Loss before benefit for income taxes	(2,696)	(3,269)
Benefit for income taxes	—	563
Loss before equity in losses of subsidiaries	(2,696)	(2,706)
Equity in losses of subsidiaries	(10,194)	(5,135)
Consolidated net loss	$ (12,890)	$ (7,841)

	For the Three Months Ended March 31,	
	2019	2018
Operating Activities:		
Net loss	$ (12,890)	$ (7,841)
Adjustments to reconcile net loss to cash used in operating activities:		
Equity in losses of subsidiaries	10,194	5,135
Depreciation	75	186
Deferred income taxes	—	563
Amortization of debt discounts	178	179
Changes in operating assets and liabilities:		
Accounts receivables	1,778	(2,673)
Other assets	(264)	(937)
Accounts payable and accrued expenses	45	1,759
Accounts payable with subsidiaries	797	(625)
Net cash used in operating activities	$ (87)	$ (4,254)
Investing Activities:		
Additions to property and equipment	$ —	$ (13)
Net cash used in investing activities	$ —	$ (13)
Financing Activities:		
Proceeds from issuances of common stock	$ 3,670	$ —
Payments on senior notes	(3,748)	—
Preferred stock dividend payments	(312)	(312)
Net cash used in financing activities	$ (390)	$ (312)
Net decrease in cash and cash equivalents	(477)	(4,579)
Cash and cash equivalents at beginning of period	6,759	5,314
Cash and cash equivalents at end of period	$ 6,282	$ 735

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements included elsewhere in this report. This report and our consolidated financial statements and notes to consolidated financial statements contain forward-looking statements, which generally include the plans and objectives of management for future operations, including plans and objectives relating to our future economic performance and our current beliefs regarding revenues we might generate and profits we might earn if we are successful in implementing our business and growth strategies. The forward-looking statements and associated risks may include, relate to or be qualified by other important factors, including:

- fluctuations in the market price of ethanol and its co-products;
- fluctuations in the costs of key production input commodities such as corn and natural gas;
- the projected growth or contraction in the ethanol and co-product markets in which we operate;
- our strategies for expanding, maintaining or contracting our presence in these markets;
- anticipated trends in our financial condition and results of operations; and
- our ability to distinguish ourselves from our current and future competitors.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this report, or in the case of a document incorporated by reference, as of the date of that document. We do not undertake to update, revise or correct any forward-looking statements, except as required by law.

Any of the factors described immediately above, or referenced from time to time in our filings with the Securities and Exchange Commission or in the "Risk Factors" section below could cause our financial results, including our net income or loss or growth in net income or loss to differ materially from prior results, which in turn could, among other things, cause the price of our common stock to fluctuate substantially.

Overview

We are a leading producer and marketer of low-carbon renewable fuels in the United States.

We operate nine strategically-located production facilities. Four of our plants are in the Western states of California, Oregon and Idaho, and five of our plants are located in the Midwestern states of Illinois and Nebraska. We are the sixth largest producer of ethanol in the United States based on annualized volumes. Our plants have a combined production capacity of 605 million gallons per year. We market all the ethanol, specialty alcohols and co-products produced at our plants as well as ethanol produced by third parties. On an annualized basis, we market nearly 1.0 billion gallons of ethanol and over 3.0 million tons of co-products on a dry matter basis. Our business consists of two operating segments: a production segment and a marketing segment.

Our mission is to be a leading producer and marketer of low-carbon renewable fuels, high-value animal feed and high-quality alcohol products in the United States. We intend to accomplish this goal in part by investing in our ethanol production and distribution infrastructure, lowering the carbon intensity of our ethanol, extending our marketing business into new regional and international markets, and implementing new technologies to promote higher production yields and greater efficiencies.

Production Segment

We produce ethanol, specialty alcohols and co-products at our production facilities described below. Our plants located on the West Coast are near their respective fuel and feed customers, offering significant timing, transportation cost and logistical advantages. Our plants located in the Midwest are in the heart of the Corn Belt, benefit from low-cost and abundant feedstock production and allow for access to many additional domestic markets. In addition, our ability to load unit trains from our plants located in the Midwest, and barges from our Pekin, Illinois plants, allows for greater access to international markets.

We wholly-own all of our plants located on the West Coast and the three plants in Pekin, Illinois. We own approximately 74% of the two plants in Aurora, Nebraska as well as the grain elevator adjacent to those properties and related grain handling assets, including the outer rail loop, and the real property on which they are located, through Pacific Aurora, LLC, or Pacific Aurora, an entity owned approximately 26% by Aurora Cooperative Elevator Company.

All of our plants, with the exception of our Aurora East facility, are currently operating. As market conditions change, we may increase, decrease or idle production at one or more operating facilities or resume operations at any idled facility.

Facility Name	Facility Location	Estimated Annual Capacity (gallons)
Magic Valley	Burley, ID	60,000,000
Columbia	Boardman, OR	40,000,000
Stockton	Stockton, CA	60,000,000
Madera	Madera, CA	40,000,000
Aurora West	Aurora, NE	110,000,000
Aurora East	Aurora, NE	45,000,000
Pekin Wet	Pekin, IL	100,000,000
Pekin Dry	Pekin, IL	60,000,000
Pekin ICP	Pekin, IL	90,000,000

We produce ethanol co-products at our production facilities such as wet distillers grains, or WDG, dried distillers grains with solubles, or DDGS, wet and dry corn gluten feed, condensed distillers solubles, corn gluten meal, corn germ, corn oil, dried yeast and CO_2.

Marketing Segment

We market ethanol, specialty alcohols and co-products produced by our facilities and market ethanol produced by third parties. We have extensive customer relationships throughout the Western and Midwestern United States. Our ethanol customers are integrated oil companies and gasoline marketers who blend ethanol into gasoline. Our customers depend on us to provide a reliable supply of ethanol, and manage the logistics and timing of delivery with very little effort on their part. Our customers collectively require ethanol volumes in excess of the supplies we produce at our production facilities. We secure additional ethanol supplies from third-party plants in California and other third-party suppliers in the Midwest where a majority of ethanol producers are located. We arrange for transportation, storage and delivery of ethanol purchased by our customers through our agreements with third-party service providers in the Western United States as well as in the Midwest from a variety of sources.

We market our distillers grains and other feed co-products to dairies and feedlots, in many cases located near our ethanol plants. These customers use our feed co-products for livestock as a substitute for corn and other sources of starch and protein. We sell our corn oil to poultry and biodiesel customers. We do not market co-products from other ethanol producers.

See “Note 2 – Segments” to our Notes to Consolidated Financial Statements included elsewhere in this report for financial information about our business segments.

Current Initiatives and Outlook

We believe the ethanol market is emerging from its cyclical trough in late 2018 when crush margins were at historic lows. Our first quarter 2019 results reflect these improving market conditions. The sequential improvement in our results over the fourth quarter of 2018 resulted from three primary factors: improved crush margins, increased sales of higher-margin third-party ethanol compared to our produced ethanol, and our cost-cutting efforts.

We continue to moderate production in locations most impacted by high inventory levels. We are also using Kinergy’s marketing platform to source third-party ethanol to help meet our contractual commitments and support our decision to moderate production. Overall, we are operating at approximately 83% of production capacity across our plants. The ethanol supply-demand balance is tightening, with seasonal increases in demand and lower industry ethanol levels resulting in improved production margins. Carbon values in our West Coast markets remain strong, resulting in robust premiums for our lower-carbon ethanol.

When looking at the overall ethanol industry, we continue to believe the compelling cost, octane and carbon benefits of ethanol will drive additional demand in 2019 supported by an expected resolution of trade disputes with China and a final rule from the Environmental Protection Agency, or EPA, facilitating the year-round use of higher ethanol blends.

A resolution of trade disputes with China would reopen a large market for United States ethanol as China continues on its path toward 10% ethanol blend rates, which would require over 4.0 billion gallons of ethanol annually. China’s current domestic production capacity is only 1.0 billion gallons, therefore the region represents a significant market opportunity for United States ethanol producers.

E15 adoption continues apace, with E15 offered at more than 1,700 retail stations across 30 states. Pre-blended ethanol is also now available for distribution at more than 100 terminals in the United States. We expect the EPA to finalize a rule by June 1st that facilitates the year-round use of E15, resulting in additional demand this summer and material additional growth in future years.

Wholesale ethanol is trading at a significant discount to wholesale gasoline which is also driving new domestic and international demand for ethanol. In addition, with prices for Renewable Identification Numbers, or RINs, at near five-year lows, we see no rationale or legal basis for the EPA’s practice of granting small refinery exemptions from the Renewable Fuel Standard, or RFS, which has negatively impacted demand and ethanol margins. Fewer EPA exemptions will support stronger domestic ethanol demand in 2019 and future years.

We are pursuing a number of strategic initiatives focused on the potential sale of certain production assets, a reduction of our debt levels, a strengthening of our cash and liquidity position, and opportunities for strategic partnerships and capital raising activities, positioning us to optimize our business performance. Our most significant challenge in meeting these objectives would be a continued adverse margin environment. We continue to make progress on our plans, however, and in late March, we amended credit and related agreements to provide us with additional flexibility and liquidity as we continue to pursue our strategic initiatives.

We believe we have excellent production assets with values well in excess of our near-term liquidity needs. We are also confident in our strong relationships with our financial and commercial partners and believe we are taking appropriate steps to increase shareholder value to benefit our stakeholders long-term and to provide greater financial flexibility to execute future strategic initiatives.

We also continue to focus on implementing initiatives and investing in our assets to reduce costs, both at the operating and corporate levels; further diversifying our sales through additional high-protein animal feed and high-quality alcohol products; and improving yields and our carbon scores.

Critical Accounting Policies

The preparation of our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, requires us to make judgments and estimates that may have a significant impact upon the portrayal of our financial condition and results of operations. We believe that of our significant accounting policies, the following require estimates and assumptions that require complex, subjective judgments by management that can materially impact the portrayal of our financial condition and results of operations: revenue recognition; impairment of long-lived assets; valuation of allowance for deferred taxes; derivative instruments; accounting for business combinations; and allowance for doubtful accounts. These significant accounting principles are more fully described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies” in our Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

The following selected financial information should be read in conjunction with our consolidated financial statements and notes to our consolidated financial statements included elsewhere in this report, and the other sections of "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this report.

Certain performance metrics that we believe are important indicators of our results of operations include:

	Three Months Ended March 31,		Percentage Change
	2019	2018	
Production gallons sold (in millions)	116.9	140.8	(17.0)%
Third party gallons sold (in millions)	94.9	91.9	3.3%
Total gallons sold (in millions)	211.8	232.7	(9.0)%
Total gallons produced (in millions)	122.5	142.1	(13.8)%
Production capacity utilization	82%	94%	(12.8)%
Average sales price per gallon	$ 1.53	$ 1.57	(2.5)%
Corn cost per bushel—CBOT equivalent	$ 3.73	$ 3.57	4.5%
Average basis[(1)]	0.38	0.27	40.7%
Delivered cost of corn	$ 4.11	$ 3.84	7.0%
Total co-product tons sold (in thousands)	684.1	798.0	(14.3)%
Co-product revenues as % of delivered cost of corn[(2)]	38.8%	37.1%	4.6%
Average CBOT ethanol price per gallon	$ 1.32	$ 1.42	(7.0)%
Average CBOT corn price per bushel	$ 3.73	$ 3.66	1.9%

(1) Corn basis represents the difference between the immediate cash price of delivered corn and the future price of corn for Chicago delivery.
(2) Co-product revenues as a percentage of delivered cost of corn shows our yield based on sales of co-products, including WDG and corn oil, generated from ethanol we produced.

Net Sales, Cost of Goods Sold and Gross Profit (Loss)

The following table presents our net sales, cost of goods sold and gross profit (loss) in dollars and gross profit (loss) as a percentage of net sales (in thousands, except percentages):

	Three Months Ended March 31,		Change in	
	2019	2018	Dollars	Percent
Net sales	$ 355,803	$ 400,027	$ (44,224)	(11.1)%
Cost of goods sold	358,092	396,665	(38,573)	(9.7)%
Gross profit (loss)	$ (2,289)	$ 3,362	$ (5,651)	NM
Percentage of net sales	*(0.6)%*	*0.8%*		

Net Sales

The decrease in our net sales for the three months ended March 31, 2019 as compared to the same period in 2018 was due to both a decrease in our total ethanol gallons sold and a decrease in our average ethanol sales price per gallon.

We sold fewer production gallons and co-products for the three months ended March 31, 2019 as compared to the same period in 2018. These decreases are primarily due lower production capacity utilization at our plants in response to a lower ethanol crush margin environment. Our production capacity utilization declined to 82% for the three months ended March 31, 2019 compared to 94% for the same period in 2018. Our third-party gallons sold, however, increased over the same period as we continued to focus our third-party ethanol sales in regions where we have a stronger presence around our own production assets or more favorable margins, as well as to compensate for lower production levels and meet our contractual commitments.

On a consolidated basis, our average sales price per gallon decreased 2.5% to $1.53 for the three months ended March 31, 2019 compared to our average sales price per gallon of $1.57 for the same period in 2018. The average Chicago Board of Trade, or CBOT, ethanol price per gallon, decreased 7.0% to $1.32 for the three months ended March 31, 2019 compared to an average CBOT sales price per gallon of $1.42 for the same period in 2018.

Production Segment

Net sales of ethanol from our production segment declined by $40.2 million, or 18%, to $179.4 million for the three months ended March 31, 2019 as compared to $219.6 million for the same period in 2018. Our total volume of production ethanol gallons sold declined by 23.9 million gallons, or 17%, to 116.9 million gallons for the three months ended March 31, 2019 as compared to 140.8 million gallons for the same period in 2018. Our production segment's average sales price per gallon declined 2% to $1.53 for the three months ended March 31, 2019 compared to our production segment's average sales price per gallon of $1.56 for the same period in 2018. At our production segment's average sales price per gallon of $1.53 for the three months ended March 31, 2019, we generated $36.7 million less in net sales from our production segment from the 23.9 million fewer gallons of produced ethanol sold in the three months ended March 31, 2019 as compared to the same period in 2018. The decline of $0.03 in our production segment's average sales price per gallon for the three months ended March 31, 2019 as compared to the same period in 2018 reduced our net sales of ethanol from our production segment by $3.5 million.

Net sales of co-products declined $5.7 million, or 8%, to $68.8 million for the three months ended March 31, 2019 as compared to $74.5 million for the same period in 2018. Our total volume of co-products sold declined by 113.9 thousand tons, or 14%, to 684.1 thousand tons for the three months ended March 31, 2019 from 798.0 thousand tons for the same period in 2018 and our average sales price per ton increased to $100.58 per ton for the three months ended March 31, 2019 from $93.40 per ton for the same period in 2018. At our average sales price per ton of $100.58 for the three months ended March 31, 2019, we generated $11.4 million less in net sales from the 113.9 thousand ton decline in co-products sold in the three months ended March 31, 2019 as compared to the same period in 2018. The increase in our average sales price per ton of $7.18, or 8%, for the three months ended March 31, 2019 as compared to the same period in 2018 increased our net sales of co-products by $5.7 million.

Marketing Segment

Net sales of ethanol from our marketing segment, excluding intersegment sales, increased by $1.7 million, or 2%, to $107.6 million for the three months ended March 31, 2019 as compared to $105.9 million for the same period in 2018. Our total volume of ethanol gallons sold by our marketing segment declined by 20.9 million gallons, or 9%, to 211.8 million gallons for the three months ended March 31, 2019 as compared to 232.7 million gallons for the same period in 2018. As noted above, 23.9 million fewer production gallons sold, partially offset by 3.0 million additional third party gallons sold, accounted for this decline.

Our marketing segment's average sales price per gallon declined 3% to $1.64 for the three months ended March 31, 2019 compared to our marketing segment's average sales price per gallon of $1.69 for the same period in 2018.

At our marketing segment's average sales price per gallon of $1.64 for the three months ended March 31, 2019, we generated $4.6 million in additional net sales from our marketing segment from the additional 3.0 million gallons in third-party ethanol sold in the three months ended March 31, 2019 as compared to the same period in 2018.The decline of $0.05 in our marketing segment's average sales price per gallon for the three months ended March 31, 2019 as compared to the same period in 2018 reduced our net sales from third-party ethanol sold by our marketing segment by $2.9 million.

Cost of Goods Sold and Gross Profit (Loss)

Our consolidated gross profit (loss) declined to a gross loss of $2.3 million for the three months ended March 31, 2019 as compared to a gross profit of $3.4 million for the same period in 2018, representing a negative gross profit margin of 0.6% for the three months ended March 31, 2019 as compared to a positive gross margin of 0.8% for the same period in 2018. Our consolidated gross profit (loss) declined primarily due to significantly lower crush margins resulting from lower ethanol prices and higher corn costs.

Production Segment

Our production segment's gross loss from external sales declined by $6.2 million to a gross loss of $10.0 million for the three months ended March 31, 2019 as compared to a gross loss of $3.8 million for the same period in 2018. Of this decrease, $8.3 million is attributable to lower margins, partially offset by $2.0 million in lower gross loss from reduced production volumes for the three months ended March 31, 2019 as compared to the same period in 2018.

Marketing Segment

Our marketing segment's gross profit improved by $0.6 million to $7.8 million for the three months ended March 31, 2019 as compared to $7.2 million for the same period in 2018. Of this increase, $0.3 million is attributable to our improved margins per gallon for the three months ended March 31, 2019 as compared to the same period in 2018 and $0.3 million in higher gross profit is attributable to the 3.0 million gallon increase in third-party marketing volumes for the three months ended March 31, 2019 as compared to the same period in 2018.

Selling, General and Administrative Expenses

The following table presents our selling, general and administrative, or SG&A, expenses in dollars and as a percentage of net sales (in thousands, except percentages):

	Three Months Ended March 31,		Change in	
	2019	**2018**	**Dollars**	**Percent**
Selling, general and administrative expenses	$ 8,235	$ 9,315	$ (1,080)	(11.6)%
Percentage of net sales	*2.3%*	*2.3%*		

Our SG&A expenses declined for the three months ended March 31, 2019 as compared to the same period in 2018. The $1.0 million period over period decrease in SG&A expenses is primarily due to a $0.6 million reduction in professional fees. We anticipate SG&A expenses will total approximately $9.0 million for the second quarter of 2019.

Net Loss Available to Common Stockholders

The following table presents our net loss available to common stockholders in dollars and as a percentage of net sales (in thousands, except percentages):

	Three Months Ended March 31,		Change in	
	2019	2018	Dollars	Percent
Net loss available to Common Stockholders	$ 13,202	$ 8,153	$ 5,049	61.9%
Percentage of net sales	*3.7%*	*2.0%*		

The increase in net loss available to common stockholders is primarily due to our decreased gross profit, as discussed above, for the three months ended March 31, 2019 as compared to the same period in 2018.

Liquidity and Capital Resources

During the three months ended March 31, 2019, we funded our operations primarily from cash on hand and advances from our revolving credit facilities. These funds were also used to make capital expenditures, capital lease payments and principal payments on term debt.

Both we and the ethanol industry as a whole experienced significant adverse conditions throughout most of 2018 as a result of industry-wide record low ethanol prices due to reduced demand and high industry inventory levels primarily related to United States and China trade disputes and domestic ethanol demand destruction caused by EPA exemptions for small refineries. These factors resulted in prolonged negative operating margins, significantly lower cash flow from operations and substantial net losses.

In response to these adverse conditions, we have initiated and expect to complete over the next five months strategic initiatives focused on the potential sale of certain production assets, a reduction of our debt levels, a strengthening of our cash and liquidity position, and opportunities for strategic partnerships and capital raising activities, positioning us to optimize our business performance. Our most significant challenge in meeting these objectives would be a continued adverse margin environment. We believe we have excellent production assets with values well in excess of our near term liquidity needs. We are also confident in our strong relationships with our financial and commercial partners and believe we are taking the appropriate steps to increase our shareholder value to benefit all of our stakeholders long-term and to provide greater financial flexibility to execute future strategic initiatives.

Our current available capital resources consist of cash on hand and amounts available for borrowing under our credit facilities. We expect that our future available capital resources will consist primarily of our current cash balances, availability under our lines of credit, any cash generated from operations, net cash proceeds from any sale of production assets and net cash proceeds from any equity sales or debt financing transactions.

At March 31, 2019, on a consolidated basis, we had an aggregate of $21.8 million in cash and Kinergy had $21.8 million in excess availability under its credit facility.

As of March 31, 2019, our current liabilities of $236.2 exceeded our current assets of $176.7 million, resulting in a working capital deficit of $59.5 million. This working capital deficit arises from:

- Our senior secured notes in the amount of $63.2 million at March 31, 2019, are due on December 15, 2019 and therefore listed as current liabilities. We believe we are in compliance with the terms of these notes. We intend to repay these notes on or before their maturity using the net proceeds from the results of our strategic initiatives. See "—Pacific Ethanol, Inc. Notes Payable" below.

- Our term loan in the amount of $43.0 million and our revolving loan in the amount of $32.0 million, both associated with our Pekin facilities, are listed as current liabilities due to a temporary forebearance agreement with our lender. See "—Pekin Credit Facilities" below.

We believe our strategic initiatives, if implemented timely and on suitable terms, will provide sufficient liquidity to meet our anticipated working capital, debt service and other liquidity needs through at least the next twelve months. However, if we are unable to timely implement our strategic initiatives, if margins do not improve, or if we are unable to further defer principal and/or interest payments or extend the maturity date of our debt, we will likely have insufficient liquidity through the next twelve months, or earlier depending on margins, operating cash flows and lender forbearance. In addition, if margins do not improve from current levels, we may be forced to curtail our production at one or more of our operating facilities. See "Risk Factors".

Quantitative Quarter-End Liquidity Status

We believe that the following amounts provide insight into our liquidity and capital resources. The following selected financial information should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements included elsewhere in this report, and the other sections of "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this report (dollars in thousands):

	March 31, 2019	December 31, 2018	Change
Cash and cash equivalents	$ 21,751	$ 26,627	(18.3)%
Current assets	$ 176,697	$ 168,804	4.7%
Property and equipment, net	$ 472,735	$ 482,657	(2.1)%
Current liabilities	$ 236,169	$ 231,859	1.9%
Long-term debt, net of current portion	$ 96,433	$ 84,767	13.8%
Working capital deficit	$ (59,472)	$ (63,055)	(5.7)%
Working capital ratio	0.75	0.73	2.7%

Restricted Net Assets

At March 31, 2019, we had approximately $195.0 million of net assets at our subsidiaries that were not available to be transferred to Pacific Ethanol, Inc. in the form of dividends, loans or advances due to restrictions contained in the credit facilities of our subsidiaries.

Changes in Working Capital and Cash Flows

Our working capital deficit improved to $59.5 million at March 31, 2019 from a deficit of $63.1 million at December 31, 2018 as a result of an increase of $7.9 million in current assets, partially offset by an increase of $4.3 million in current liabilities.

Our current liabilities increased by $4.3 million at March 31, 2019 as compared to December 31, 2018 primarily due to an increase in the current portion of our operating leases of $7.6 million as we adopted a new accounting standard. Our current liabilities include our senior secured notes in the amount of $63.2 million, which are due within one year, and our Pekin credit facilities in the amount of approximately $75.0 million due to temporary lender forbearance.

Current assets increased primarily due to an increase of $10.8 million in accounts receivable, due to the timing of collections, and an increase of $4.9 million in inventories due to the timing of purchases.

Our cash and cash equivalents declined by $4.9 million at March 31, 2019 as compared to December 31, 2018 primarily due to $15.0 million in cash used in our operating activities as a result of poor margins, partially offset by $11.3 million in cash provided from our financing activities from additional borrowings and sales of our common stock.

Cash used in our Operating Activities

Cash used in our operating activities increased by $23.9 million for the three months ended March 31, 2019, as compared to the same period in 2018. We used $15.0 million of cash in our operating activities during the period. Specific factors that contributed to the increase in cash used in our operating activities include:

- an increase of $4.7 million in our consolidated net loss;
- a decrease of $16.0 million related to accounts receivable primarily due to the timing of collections;
- a decrease of 10.9 million related to accounts payable, accrued liabilities and operating leases due to the timing of payments and our adoption of a new accounting standard; and
- a decrease of $1.7 million related to prepaid inventory due to the timing of purchases.

These amounts were partially offset by:

- an increase of $2.0 million in depreciation expense;
- an increase of $3.8 million related to inventories due to the timing of purchases; and
- an increase of $3.7 million related to prepaid expenses and other assets due to the timing of payments.

Cash used in our Investing Activities

Cash used in our investing activities declined by $3.2 million for the three months ended March 31, 2019 as compared to the same period in 2018. The decrease in cash used in our investing activities is primarily due to reduced spending on capital projects during a low margin environment.

Cash provided by our Financing Activities

Cash provided by our financing activities increased by $7.9 million for the three months ended March 31, 2019 as compared to the same period in 2018. The increase in cash provided by our financing activities is primarily due to $4.4 million in increased net borrowings under Kinergy's line of credit and $3.7 million in sales of our common stock.

Capital Expenditures

Our capital expenditures totaled $1.1 million for the first quarter of 2019, largely attributable to ongoing repair and maintenance of our facilities. We expect capital expenditures of $4.0 million for all of 2019, almost solely related to normal repair and maintenance of our facilities.

Kinergy Operating Line of Credit

Kinergy maintains an operating line of credit for an aggregate amount of up to $100.0 million. The credit facility matures on August 2, 2022. Interest accrues under the credit facility at a rate equal to (i) the three-month London Interbank Offered Rate ("LIBOR"), plus (ii) a specified applicable margin ranging from 1.50% to 2.00%, or up to 4.00% for additional borrowings under relaxed borrowing base credit terms through September 30, 2019. The credit facility's monthly unused line fee is 0.25% to 0.375% of the amount by which the maximum credit under the facility exceeds the average daily principal balance during the immediately preceding month. Payments that may be made by Kinergy to Pacific Ethanol as reimbursement for management and other services provided by Pacific Ethanol to Kinergy are limited under the terms of the credit facility to $1.5 million per fiscal quarter. The credit facility also includes the accounts receivable of Pacific Ag. Products, LLC, or PAP, as additional collateral. Payments that may be made by PAP to Pacific Ethanol as reimbursement for management and other services provided by Pacific Ethanol to PAP are limited under the terms of the credit facility to $0.5 million per fiscal quarter. PAP, one of our indirect wholly-owned subsidiaries, markets our co-products and also provides raw material procurement services to our subsidiaries.

For all monthly periods in which excess borrowing availability falls below a specified level, Kinergy and PAP must collectively maintain a fixed-charge coverage ratio (calculated as a twelve-month rolling earnings before interest, taxes, depreciation and amortization (EBITDA) divided by the sum of interest expense, capital expenditures, principal payments of indebtedness, indebtedness from capital leases and taxes paid during such twelve-month rolling period) of at least 2.0 and are prohibited from incurring certain additional indebtedness (other than specific intercompany indebtedness). Kinergy's and PAP's obligations under the credit facility are secured by a first-priority security interest in all of their assets in favor of the lender. We believe Kinergy and PAP are in compliance with this covenant. The following table summarizes Kinergy's financial covenants and actual results for the periods presented:

	Three Months Ended March 31,		Years Ended December 31,	
	2019	2018	2018	2017
Fixed-Charge Coverage Ratio Requirement	2.00	2.00	2.00	2.00
Actual	16.35	7.72	19.06	2.79
Excess	14.35	5.72	17.06	0.79

Pacific Ethanol has guaranteed all of Kinergy's obligations under the credit facility. As of March 31, 2019, Kinergy had an outstanding balance of $70.2 million with additional borrowing availability under the credit facility of $21.8 million.

Pekin Credit Facilities

On December 15, 2016, our wholly-owned subsidiary, Pacific Ethanol Pekin, LLC, or PE Pekin, entered into term and revolving credit facilities. PE Pekin borrowed $64.0 million under a term loan facility that matures on August 20, 2021 and $32.0 million under a revolving credit facility that matures on February 1, 2022. The PE Pekin credit facilities are secured by a first-priority security interest in all of PE Pekin's assets. Interest initially accrued under the PE Pekin credit facilities at an annual rate equal to the 30-day LIBOR plus 3.75%, payable monthly. PE Pekin is required to make quarterly principal payments in the amount of $3.5 million on the term loan beginning on May 20, 2017, with the remaining principal balance payable at maturity on August 20, 2021. PE Pekin is required to pay monthly in arrears a fee on any unused portion of the revolving credit facility at a rate of 0.75% per annum. Prepayment of these facilities is subject to a prepayment penalty. Under the initial terms of the credit facilities, PE Pekin was required to maintain not less than $20.0 million in working capital and an annual debt service coverage ratio of not less than 1.25 to 1.0.

On August 7, 2017, PE Pekin amended its term and revolving credit facilities by agreeing to increase the interest rate under the facilities by 25 basis points to an annual rate equal to the 30-day LIBOR plus 4.00%. PE Pekin and its lender also agreed that PE Pekin is required to maintain working capital of not less than $17.5 million from August 31, 2017 through December 31, 2017 and working capital of not less than $20.0 million from January 1, 2018 and continuing at all times thereafter. In addition, the required debt service coverage ratio was reduced to 0.15 to 1.00 for the fiscal year ended December 31, 2017. PE Pekin's actual debt service coverage ratio was 0.17 to 1.00 for the fiscal year ended December 31, 2017, 0.02 in excess of the required 0.15 to 1.00. For the month ended January 31, 2018, PE Pekin was not in compliance with its working capital requirement due to larger than anticipated repair and maintenance expenses to replace faulty equipment. PE Pekin has received a waiver from its lender for this noncompliance. Further, the lender decreased PE Pekin's working capital covenant requirement to $13.0 million for the month ended February 28, 2018, excluding from the calculation a $3.5 million principal payment previously due in May 2018.

On March 30, 2018, PE Pekin further amended its term loan facility by reducing the amount of working capital it is required to maintain to not less than $13.0 million from March 31, 2018 through November 30, 2018 and not less than $16.0 million from December 1, 2018 and continuing at all times thereafter. In addition, a principal payment in the amount of $3.5 million due for May 2018 was deferred until the maturity date of the term loan.

At December 31, 2018 and January 31, 2019, PE Pekin experienced certain covenant violations under its term and revolving credit facilities. In February 2019, PE Pekin reached an agreement with its lender to forbear until March 11, 2019 and to defer a $3.5 million principal payment until that date.

On March 21, 2019, PE Pekin amended its term and revolving credit facilities by agreeing to increase the interest rate under the facilities by 125 basis points to an annual rate equal to the 30-day LIBOR plus 5.00%. PE Pekin and its lender also agreed that it is required to maintain working capital of not less than $15.0 million from March 21, 2019 through July 15, 2019 and working capital of not less than $30.0 million from July 15, 2019 and continuing at all times thereafter.

Under this amendment, the lenders agreed to temporarily waive financial covenant violations, working capital maintenance violations and intercompany accounts receivable collections violations that occurred with respect to the credit agreement. The lenders also agreed to defer all scheduled principal payments, including further deferral of a principal payment in the amount of $3.5 million due on February 20, 2019 which was previously deferred by the parties.

The waivers and principal deferral expire on July 15, 2019, or earlier in the case of an event of default, at which time the waivers will become permanent if PE Pekin's parent, Pacific Ethanol Central, LLC, or PE Central, has made a contribution to PE Pekin in an amount equal to $30.0 million, minus the then-existing amount of the PE Pekin's working capital, plus the amount of any accounts receivable owed by PE Central to PE Pekin,plus $12.0 million, or the Parent Contribution Amount. In addition, if the Parent Contribution Amount is timely received, the lenders agreed to waive the PE Pekin's debt service coverage ratio financial covenant for the year ended December 31, 2019. If the Parent Contribution Amount is not timely made, then the temporary waivers will automatically expire.

PE Pekin is also required to pay by July 15, 2019 the aggregate amount of $14.0 million representing all deferred scheduled principal payments and all additional scheduled principal payments for the remainder of 2019. As of March 31, 2019, PE Pekin had no additional borrowing availability under its revolving credit facility.

ICP Credit Facilities

On September 15, 2017, ICP entered into term and revolving credit facilities. ICP borrowed $24.0 million under a term loan facility that matures on September 20, 2021 and $18.0 million under a revolving credit facility that matures on September 1, 2022. The ICP credit facilities are secured by a first-priority security interest in all of ICP's assets. Interest accrues under the ICP credit facilities at an annual rate equal to the 30-day LIBOR plus 3.75%, payable monthly. ICP is required to make quarterly consecutive principal payments in the amount of $1.5 million. ICP is required to pay monthly in arrears a fee on any unused portion of the revolving credit facility at a rate of 0.75% per annum. Prepayment of these facilities is subject to a prepayment penalty. Under the terms of the credit facilities, ICP is required to maintain not less than $8.0 million in working capital and an annual debt service coverage ratio of not less than 1.5 to 1.0, beginning for the year ended December 31, 2018. As of March 31, 2019, ICP had no additional borrowing availability under its revolving credit facility.

Pacific Ethanol, Inc. Notes Payable

On December 12, 2016, we entered into a Note Purchase Agreement with five accredited investors. On December 15, 2016, under the terms of the Note Purchase Agreement, we sold $55.0 million in aggregate principal amount of our senior secured notes to the investors in a private offering for aggregate gross proceeds of 97% of the principal amount of the notes sold. On June 26, 2017, we entered into a second Note Purchase Agreement with five accredited investors. On June 30, 2017, under the terms of the second Note Purchase Agreement, we sold an additional $13.9 million in aggregate principal amount of our senior secured notes to the investors in a private offering for aggregate gross proceeds of 97% of the principal amount of the notes sold, for a total of $68.9 million in aggregate principal amount of senior secured notes.

The notes mature on December 15, 2019. Interest on the notes accrues at an annual rate equal to (i) the greater of 1% and the three-month LIBOR, plus 7.0% from the closing through December 14, 2017, (ii) the greater of 1% and three-month LIBOR, plus 9% between December 15, 2017 and December 14, 2018, and (iii) the greater of 1% and three-month LIBOR plus 11% between December 15, 2018 and the maturity date. The interest rate increases by an additional 2% per annum above the interest rate otherwise applicable upon the occurrence and during the continuance of an event of default until cured. Interest is payable in cash in arrears on the 15th calendar day of each March, June, September and December. We are required to pay all outstanding principal and any accrued and unpaid interest on the notes on the maturity date. We may, at our option, prepay the outstanding principal amount of the notes at any time without premium or penalty. Pacific Ethanol, Inc. issued the notes, which are secured by a first-priority security interest in the equity interest held by Pacific Ethanol, Inc. in its wholly-owned subsidiary, PE Op. Co., which indirectly owns our plants located on the West Coast.

We are actively evaluating opportunities to repay or refinance our senior notes in advance of their December 2019 maturity as part of our strategic initiatives.

At-the-Market Program

We have established an “at-the-market” equity distribution program under which we may offer and sell shares of common stock to, or through, sales agents by means of ordinary brokers’ transactions on the NASDAQ, in block transactions, or as otherwise agreed to between us and the sales agent at prices we deem appropriate. We are under no obligation to offer and sell shares of common stock under the program. For the three months ended March 31, 2019, we sold 3,137,392 shares of common stock through our “at-the-market” equity program that resulted in net proceeds of $3,736,251 and fees paid to our sales agent of $65,838. The net proceeds from these issuances, and future equity issuances, are to be used to repay a portion of our senior secured notes maturing December 15, 2019.

Effects of Inflation

The impact of inflation was not significant to our financial condition or results of operations for the three months ended March 31, 2019 and 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of March 31, 2019 that our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are subject to legal proceedings, claims and litigation arising in the ordinary course of business. While the amounts claimed may be substantial, the ultimate liability cannot presently be determined because of considerable uncertainties that exist. Therefore, it is possible that the outcome of those legal proceedings, claims and litigation could adversely affect our quarterly or annual operating results or cash flows when resolved in a future period. However, based on facts currently available, management believes such matters will not adversely affect in any material respect our financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS.

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other information contained in this Report and in our other filings with the Securities and Exchange Commission, including subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on Pacific Ethanol, our business, financial condition, results of operations and/or liquidity could be seriously harmed. In that event, the market price for our common stock will likely decline, and you may lose all or part of your investment.

Risks Related to our Business

If we are unable to timely implement our strategic initiatives and raise sufficient capital on suitable terms, we will likely have insufficient liquidity to operate our business through the next twelve months, or earlier, resulting in a material adverse effect on our business, prospects, financial condition and results of operations, which could result in a need to seek protection under the U.S. Bankruptcy Code.

We are engaged in strategic initiatives to reduce our debt levels and provide additional liquidity to operate our business. These initiatives will likely require the prompt sale of certain production assets as well as other capital raising activities. Financing, whether through a sale of production assets or other capital raising activities, may not be available on a timely basis, in sufficient amounts, on terms acceptable to us, or at all. In addition, any equity financing may cause significant dilution to existing stockholders and any debt financing or other financing of securities senior to our common stock will likely include financial and other covenants that will restrict our flexibility, including our ability to pay dividends on our common stock.

If we are unable to timely sell production assets or raise additional capital, or both, in sufficient amounts and on suitable terms, if margins do not improve, or if we are unable to further defer principal and/or interest payments or extend the maturity date of our debt, we will likely have insufficient liquidity to operate our business through the next twelve months, or earlier depending on margins, operating cash flows and lender forbearance. A failure to timely implement our strategic initiatives on suitable terms will have a material adverse effect on our business, prospects, financial condition and results of operations and could result in a need to seek protection under the U.S. Bankruptcy Code for all or some portion of our production asset and other subsidiaries, at the parent company level, or both.

We may not have sufficient liquidity to satisfy our obligations under our Pekin credit facility.

PE Central is obligated to contribute to PE Pekin, on or prior to July 15, 2019, the amount of $30.0 million, minus the then-existing amount of PE Pekin's working capital, plus the amount of any accounts receivable owed by PE Central to PE Pekin, plus $12.0 million. In addition, PE Pekin is required to pay to the lender under the Pekin credit facility, on or prior to July 15, 2019, the amount of $14.0 million representing all deferred scheduled principal payments and all additional scheduled principal payments for the remainder of 2019. PE Central's ability to contribute and PE Pekin's ability to pay the amounts due will be subject to our liquidity position at the time. We cannot assure you that we will have sufficient financial resources or that we will be able to sell production assets or arrange financing to contribute and pay the amounts due. If PE Central is unable to contribute or if PE Pekin is unable to pay the amounts due under our Pekin credit facility, our lender could declare all debt obligations due and payable and foreclose on its security interest in our Pekin production assets which would force us to seek protection under the U.S. Bankruptcy Code for our Pekin subsidiaries and could result in a loss of those assets, any of which would have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not have sufficient liquidity to satisfy our obligations under our senior secured notes.

We are obligated to make interest payments of approximately $2.0 million per quarter under our senior secured notes. In addition, the entire outstanding principal amount of the notes, currently approximately $63.2 million, is due and payable on December 15, 2019. Our obligations under these notes are direct obligations of Pacific Ethanol, Inc. and are secured by our ownership interests in our West Coast production assets. Our ability to pay the amounts due under the notes will be subject to our liquidity position at the time. We cannot assure you that we will have sufficient financial resources or that we will be able to sell production assets or arrange financing to pay the amounts due under the notes. If we are unable to pay the amounts due under the notes, our lenders could pursue a claim directly against Pacific Ethanol, Inc. and foreclose on their security interest in our West Coast production assets resulting in a loss of those assets, which would have a material adverse effect on our business, prospects, financial condition and results of operations. In addition, we may be forced to seek protection under the U.S. Bankruptcy Code.

We have incurred significant losses and negative operating cash flow in the past and we may incur losses and negative operating cash flow in the future, which may hamper our operations and impede us from expanding our business.

We have incurred significant losses and negative operating cash flow in the past. For the three months ended March 31, 2019 and 2018, we incurred consolidated net losses of approximately $14.2 million and $9.5 million, respectively. For the years ended December 31, 2018 and 2017, we incurred consolidated net losses of approximately $67.9 million and $38.1 million, respectively. For the three months ended March 31, 2019, we incurred negative operating cash flows of approximately $15.0 million. We may incur losses and negative operating cash flow in the future. We expect to rely on cash on hand, cash, if any, generated from our operations, borrowing availability under our lines of credit and proceeds from future financing activities, if any, to fund all of the cash requirements of our business. Continued losses and negative operating cash flow may hamper our operations and impede us from expanding our business.

Our results of operations and our ability to operate at a profit is largely dependent on managing the costs of corn and natural gas and the prices of ethanol, distillers grains and other ethanol co-products, all of which are subject to significant volatility and uncertainty.

Our results of operations are highly impacted by commodity prices, including the cost of corn and natural gas that we must purchase, and the prices of ethanol, distillers grains and other ethanol co-products that we sell. Prices and supplies are subject to and determined by market and other forces over which we have no control, such as weather, domestic and global demand, supply shortages, export prices and various governmental policies in the United States and around the world.

As a result of price volatility of corn, natural gas, ethanol, distillers grains and other ethanol co-products, our results of operations may fluctuate substantially. In addition, increases in corn or natural gas prices or decreases in ethanol, distillers grains or other ethanol co-product prices may make it unprofitable to operate. In fact, some of our marketing activities will likely be unprofitable in a market of generally declining ethanol prices due to the nature of our business. For example, to satisfy customer demands, we maintain certain quantities of ethanol inventory for subsequent resale. Moreover, we procure much of our inventory outside the context of a marketing arrangement and therefore must buy ethanol at a price established at the time of purchase and sell ethanol at an index price established later at the time of sale that is generally reflective of movements in the market price of ethanol. As a result, our margins for ethanol sold in these transactions generally decline and may turn negative as the market price of ethanol declines.

No assurance can be given that corn or natural gas can be purchased at, or near, current or any particular prices or that ethanol, distillers grains or other ethanol co-products will sell at, or near, current or any particular prices. Consequently, our results of operations and financial position may be adversely affected by increases in the price of corn or natural gas or decreases in the price of ethanol, distillers grains or other ethanol co-products.

Over the past several years, the spread between ethanol and corn prices has fluctuated significantly. Fluctuations are likely to continue to occur. A sustained narrow spread, whether as a result of sustained high or increased corn prices or sustained low or decreased ethanol prices, would adversely affect our results of operations and financial position. Further, combined revenues from sales of ethanol, distillers grains and other ethanol co-products could decline below the marginal cost of production, which may force us to suspend production of ethanol, distillers grains and other ethanol co-products at some or all of our plants.

Increased ethanol production or higher inventory levels may cause a decline in ethanol prices or prevent ethanol prices from rising, and may have other negative effects, adversely impacting our results of operations, cash flows and financial condition.

We believe that the most significant factor influencing the price of ethanol has been the substantial increase in ethanol production. According to the Renewable Fuels Association, domestic ethanol production capacity increased from an annualized rate of 1.5 billion gallons per year in January 1999 to a record 16.1 billion gallons in 2018. In addition, if ethanol production margins improve, we anticipate that owners of ethanol production facilities will increase production levels, thereby resulting in more abundant ethanol supplies and inventories. Any increase in the supply of ethanol may not be commensurate with increases in the demand for ethanol, thus leading to lower ethanol prices. Also, demand for ethanol could be impaired due to a number of factors, including regulatory developments and reduced United States gasoline consumption. Reduced gasoline consumption has occurred in the past and could occur in the future as a result of increased gasoline or oil prices or other factors such as increased automobile fuel efficiency. Any of these outcomes could have a material adverse effect on our results of operations, cash flows and financial condition.

The market price of ethanol is volatile and subject to large fluctuations, which may cause our profitability or losses to fluctuate significantly.

The market price of ethanol is volatile and subject to large fluctuations. The market price of ethanol is dependent upon many factors, including the supply of ethanol and the price of gasoline, which is in turn dependent upon the price of petroleum which is highly volatile and difficult to forecast. For example, ethanol prices, as reported by the CBOT, ranged from $1.20 to $1.53 per gallon during 2018, $1.26 to $1.67 per gallon during 2017 and $1.31 to $1.75 per gallon during 2016. Fluctuations in the market price of ethanol may cause our profitability or losses to fluctuate significantly.

Some of our marketing activities will likely be unprofitable in a market of generally declining ethanol prices due to the nature of our business.

Some of our marketing activities will likely be unprofitable in a market of generally declining ethanol prices due to the nature of our business. For example, to satisfy customer demands, we maintain certain quantities of ethanol inventory for subsequent resale. Moreover, we procure much of our inventory outside the context of a marketing arrangement and therefore must buy ethanol at a price established at the time of purchase and sell ethanol at an index price established later at the time of sale that is generally reflective of movements in the market price of ethanol. As a result, our margins for ethanol sold in these transactions generally decline and may turn negative as the market price of ethanol declines.

Disruptions in production or distribution infrastructure may adversely affect our business, results of operations and financial condition.

Our business depends on the continuing availability of rail, road, port, storage and distribution infrastructure. In particular, due to limited storage capacity at our plants and other considerations related to production efficiencies, our plants depend on just-in-time delivery of corn. The production of ethanol and specialty alcohols also requires a significant and uninterrupted supply of other raw materials and energy, primarily water, electricity and natural gas. Local water, electricity and gas utilities may not be able to reliably supply the water, electricity and natural gas that our plants need or may not be able to supply those resources on acceptable terms. During 2014, poor weather caused disruptions in rail transportation, which slowed the delivery of ethanol by rail, the principle manner by which ethanol from our plants located in the Midwest is transported to market. Disruptions in production or distribution infrastructure, whether caused by labor difficulties, earthquakes, storms, other natural disasters or human error or malfeasance or other reasons, could prevent timely deliveries of corn or other raw materials and energy, and could delay transport of our products to market, and may require us to halt production at one or more plants, any of which could have a material adverse effect on our business, results of operations and financial condition.

We may engage in hedging transactions and other risk mitigation strategies that could harm our results of operations and financial condition.

In an attempt to partially offset the effects of volatility of ethanol prices and corn and natural gas costs, we may enter into contracts to fix the price of a portion of our ethanol production or purchase a portion of our corn or natural gas requirements on a forward basis. In addition, we may engage in other hedging transactions involving exchange-traded futures contracts for corn, natural gas and unleaded gasoline from time to time. The financial statement impact of these activities is dependent upon, among other things, the prices involved and our ability to sell sufficient products to use all of the corn and natural gas for which forward commitments have been made. Hedging arrangements also expose us to the risk of financial loss in situations where the other party to the hedging contract defaults on its contract or, in the case of exchange-traded contracts, where there is a change in the expected differential between the underlying price in the hedging agreement and the actual prices paid or received by us. In addition, our open contract positions may require cash deposits to cover margin calls, negatively impacting our liquidity. As a result, our results of operations and financial condition may be adversely affected by our hedging activities and fluctuations in the price of corn, natural gas, ethanol and unleaded gasoline.

Operational difficulties at our plants could negatively impact sales volumes and could cause us to incur substantial losses.

Operations at our plants are subject to labor disruptions, unscheduled downtimes and other operational hazards inherent in the ethanol production industry, including equipment failures, fires, explosions, abnormal pressures, blowouts, pipeline ruptures, transportation accidents and natural disasters. Some of these operational hazards may cause personal injury or loss of life, severe damage to or destruction of property and equipment or environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties. Our insurance may not be adequate to fully cover the potential operational hazards described above or we may not be able to renew this insurance on commercially reasonable terms or at all.

Moreover, our plants may not operate as planned or expected. All of these facilities are designed to operate at or above a specified production capacity. The operation of these facilities is and will be, however, subject to various uncertainties. As a result, these facilities may not produce ethanol, specialty alcohols and co-products at expected levels. In the event any of these facilities do not run at their expected capacity levels, our business, results of operations and financial condition may be materially and adversely affected.

Future demand for ethanol is uncertain and may be affected by changes to federal mandates, public perception, consumer acceptance and overall consumer demand for transportation fuel, any of which could negatively affect demand for ethanol and our results of operations.

Although many trade groups, academics and governmental agencies have supported ethanol as a fuel additive that promotes a cleaner environment, others have criticized ethanol production as consuming considerably more energy and emitting more greenhouse gases than other biofuels and potentially depleting water resources. Some studies have suggested that corn-based ethanol is less efficient than ethanol produced from other feedstock and that it negatively impacts consumers by causing increased prices for dairy, meat and other food generated from livestock that consume corn. Additionally, ethanol critics contend that corn supplies are redirected from international food markets to domestic fuel markets. If negative views of corn-based ethanol production gain acceptance, support for existing measures promoting use and domestic production of corn-based ethanol could decline, leading to reduction or repeal of federal mandates, which could adversely affect the demand for ethanol. These views could also negatively impact public perception of the ethanol industry and acceptance of ethanol as an alternative fuel.

There are limited markets for ethanol beyond those established by federal mandates. Discretionary blending and E85 blending are important secondary markets. Discretionary blending is often determined by the price of ethanol versus the price of gasoline. In periods when discretionary blending is financially unattractive, the demand for ethanol may be reduced. Also, the demand for ethanol is affected by the overall demand for transportation fuel. Demand for transportation fuel is affected by the number of miles traveled by consumers and the fuel economy of vehicles. Market acceptance of E15 may partially offset the effects of decreases in transportation fuel demand. A reduction in the demand for ethanol and ethanol co-products may depress the value of our products, erode our margins and reduce our ability to generate revenue or to operate profitably. Consumer acceptance of E15 and E85 fuels is needed before ethanol can achieve any significant growth in market share relative to other transportation fuels.

Our future results will suffer if we do not effectively manage our expanded operations.

Our business following recent acquisitions is larger than the individual businesses of Pacific Ethanol and the acquired companies prior to the acquisitions. Our future success depends, in part, upon our ability to manage our expanded business, which may pose continued challenges for our management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. We cannot assure you that we will be successful or that we will realize the expected operating efficiencies, annual net operating synergies, revenue enhancements and other benefits currently anticipated to result from the acquisition.

Our plant indebtedness exposes us to many risks that could negatively impact our business, our business prospects, our liquidity and our cash flows and results of operations.

Our plants located in the Midwest have significant indebtedness. Unlike traditional term debt, the terms of our plant loans require amortizing payments of principal over the lives of the loans and our borrowing availability under our plant credit facilities periodically and automatically declines through the maturity dates of those facilities. Our plant indebtedness could:

- make it more difficult to pay or refinance our debts as they become due during adverse economic and industry conditions because any decrease in revenues could cause us to not have sufficient cash flows from operations to make our scheduled debt payments;
- limit our flexibility to pursue strategic opportunities or react to changes in our business and the industry in which we operate and, consequently, place us at a competitive disadvantage to our competitors who have less debt;
- require a substantial portion of our cash flows from operations to be used for debt service payments, thereby reducing the availability of our cash flows to fund working capital, capital expenditures, acquisitions, dividend payments and other general corporate purposes; and/or
- limit our ability to procure additional financing for working capital or other purposes.

Our term loans and credit facilities also require compliance with numerous financial and other covenants. In addition, our plant indebtedness bears interest at variable rates. An increase in prevailing interest rates would likewise increase our debt service obligations and could materially and adversely affect our cash flows and results of operations.

Our ability to generate sufficient cash to make all principal and interest payments when due depends on our business performance, which is subject to a variety of factors beyond our control, including the supply of and demand for ethanol and co-products, ethanol and co-product prices, the cost of key production inputs, and many other factors incident to the ethanol production and marketing industry. We cannot provide any assurance that we will be able to timely satisfy such obligations. Our failure to timely satisfy our debt obligations could have a material adverse effect on our business, business prospects, liquidity, cash flows and results of operations.

If Kinergy fails to satisfy its financial covenants under its credit facility, it may experience a loss or reduction of that facility, which would have a material adverse effect on our financial condition and results of operations.

We are substantially dependent on Kinergy's credit facility to help finance its operations. Kinergy must satisfy monthly financial covenants under its credit facility, including fixed-charge coverage ratio covenants. Kinergy will be in default under its credit facility if it fails to satisfy any financial covenant. A default may result in the loss or reduction of the credit facility. The loss of Kinergy's credit facility, or a significant reduction in Kinergy's borrowing capacity under the facility, would result in Kinergy's inability to finance a significant portion of its business and would have a material adverse effect on our financial condition and results of operations.

The United States ethanol industry is highly dependent upon certain federal and state legislation and regulation and any changes in legislation or regulation could have a material adverse effect on our results of operations, cash flows and financial condition.

The EPA has implemented the RFS pursuant to the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007. The RFS program sets annual quotas for the quantity of renewable fuels (such as ethanol) that must be blended into motor fuels consumed in the United States. The domestic market for ethanol is significantly impacted by federal mandates under the RFS program for volumes of renewable fuels (such as ethanol) required to be blended with gasoline. Future demand for ethanol will be largely dependent upon incentives to blend ethanol into motor fuels, including the price of ethanol relative to the price of gasoline, the relative octane value of ethanol, constraints in the ability of vehicles to use higher ethanol blends, the RFS, and other applicable environmental requirements. Any significant increase in production capacity above the RFS minimum requirements may have an adverse impact on ethanol prices.

Under the provisions of the Clean Air Act, as amended by the Energy Independence and Security Act of 2007, the EPA has limited authority to waive or reduce the mandated RFS requirements, which authority is subject to consultation with the Secretaries of Agriculture and Energy, and based on a determination that there is inadequate domestic renewable fuel supply or implementation of the applicable requirements would severely harm the economy or environment of a state, region or the United States. Our results of operations, cash flows and financial condition could be adversely impacted if the EPA reduces the RFS requirements from the statutory levels specified in the RFS.

The ethanol production and marketing industry is extremely competitive. Many of our significant competitors have greater production and financial resources and one or more of these competitors could use their greater resources to gain market share at our expense.

The ethanol production and marketing industry is extremely competitive. Many of our significant competitors in the ethanol production and marketing industry, including Archer-Daniels-Midland Company, POET, LLC, Green Plains, Inc. and Valero Renewable Fuels Company, LLC, have substantially greater production and/or financial resources. As a result, our competitors may be able to compete more aggressively and sustain that competition over a longer period of time. Successful competition will require a continued high level of investment in marketing and customer service and support. Our limited resources relative to many significant competitors may cause us to fail to anticipate or respond adequately to new developments and other competitive pressures. This failure could reduce our competitiveness and cause a decline in market share, sales and profitability. Even if sufficient funds are available, we may not be able to make the modifications and improvements necessary to compete successfully.

We also face competition from international suppliers. Currently, international suppliers produce ethanol primarily from sugar cane and have cost structures that are generally substantially lower than our cost structures. Any increase in domestic or foreign competition could cause us to reduce our prices and take other steps to compete effectively, which could adversely affect our business, financial condition and results of operations.

Our ability to utilize net operating loss carryforwards and certain other tax attributes may be limited.

Federal and state income tax laws impose restrictions on the utilization of net operating loss, or NOL, and tax credit carryforwards in the event that an "ownership change" occurs for tax purposes, as defined by Section 382 of the Internal Revenue Code, or Code. In general, an ownership change occurs when stockholders owning 5% or more of a "loss corporation" (a corporation entitled to use NOL or other loss carryovers) have increased their ownership of stock in such corporation by more than 50 percentage points during any three-year period. The annual base limitation under Section 382 of the Code is calculated by multiplying the loss corporation's value at the time of the ownership change by the greater of the long-term tax-exempt rate determined by the Internal Revenue Service in the month of the ownership change or the two preceding months.

As of December 31, 2018, of our $183.2 million of federal NOLs, we had $88.5 million of federal NOLs that are limited in their annual use under Section 382 of the Code beyond 2019. Accordingly, our ability to utilize these NOL carryforwards may be substantially limited. These limitations could in turn result in increased future tax obligations, which could have a material adverse effect on our business, financial condition and results of operations.

Our business is not diversified. The high concentration of our sales within the ethanol production and marketing industry could result in a significant reduction in sales and negatively affect our profitability if demand for ethanol declines.

Our business is not diversified. Our sales are highly concentrated within the ethanol production and marketing industry. We expect to be substantially focused on the production and marketing of ethanol and its co-products for the foreseeable future. An industry shift away from ethanol, or the emergence of new competing products, may significantly reduce the demand for ethanol. However, we may be unable to timely alter our business focus away from the production and marketing of ethanol to other renewable fuels or competing products. A downturn in the demand for ethanol would likely materially and adversely affect our sales and profitability.

We may be adversely affected by environmental, health and safety laws, regulations and liabilities

We are subject to various federal, state and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials and wastes, and the health and safety of our employees. In addition, some of these laws and regulations require us to operate under permits that are subject to renewal or modification. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts to the environment. A violation of these laws and regulations or permit conditions can result in substantial fines, natural resource damages, criminal sanctions, permit revocations and/or facility shutdowns. In addition, we have made, and expect to make, significant capital expenditures on an ongoing basis to comply with increasingly stringent environmental laws, regulations and permits.

We may be liable for the investigation and cleanup of environmental contamination at each of our plants and at off-site locations where we arrange for the disposal of hazardous substances or wastes. If these substances or wastes have been or are disposed of or released at sites that undergo investigation and/or remediation by regulatory agencies, we may be responsible under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or other environmental laws for all or part of the costs of investigation and/or remediation, and for damages to natural resources. We may also be subject to related claims by private parties alleging property damage and personal injury due to exposure to hazardous or other materials at or from those properties. Some of these matters may require us to expend significant amounts for investigation, cleanup or other costs.

In addition, new laws, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments could require us to make significant additional expenditures. Continued government and public emphasis on environmental issues can be expected to result in increased future investments for environmental controls at our plants. Present and future environmental laws and regulations, and interpretations of those laws and regulations, applicable to our operations, more vigorous enforcement policies and discovery of currently unknown conditions may require substantial expenditures that could have a material adverse effect on our results of operations and financial condition.

The hazards and risks associated with producing and transporting our products (including fires, natural disasters, explosions and abnormal pressures and blowouts) may also result in personal injury claims or damage to property and third parties. As protection against operating hazards, we maintain insurance coverage against some, but not all, potential losses. However, we could sustain losses for uninsurable or uninsured risks, or in amounts in excess of existing insurance coverage. Events that result in significant personal injury or damage to our property or third parties or other losses that are not fully covered by insurance could have a material adverse effect on our results of operations and financial condition.

If we are unable to attract or retain key personnel, our ability to operate effectively may be impaired, which could have a material adverse effect on our business, financial condition and results of operations.

Our ability to operate our business and implement strategies depends, in part, on the efforts of our executive officers and other key personnel. Our future success will depend on, among other factors, our ability to retain our current key personnel and attract and retain qualified future key personnel, particularly executive management. If we are unable to attract or retain key personnel, our ability to operate effectively may be impaired, which could have a material adverse effect on our business, financial condition and results of operations.

We depend on a small number of customers for the majority of our sales. A reduction in business from any of these customers could cause a significant decline in our overall sales and profitability.

The majority of our sales are generated from a small number of customers. During 2018, 2017 and 2016, two customers accounted for an aggregate of approximately $367 million, $447 million and $467 million in net sales, representing 25%, 27% and 29% of our net sales, respectively, for those periods. We expect that we will continue to depend for the foreseeable future upon a small number of customers for a significant portion of our sales. Our agreements with these customers generally do not require them to purchase any specified volume or dollar value of ethanol or co-products, or to make any purchases whatsoever. Therefore, in any future period, our sales generated from these customers, individually or in the aggregate, may not equal or exceed historical levels. If sales to any of these customers cease or decline, we may be unable to replace these sales with sales to either existing or new customers in a timely manner, or at all. A cessation or reduction of sales to one or more of these customers could cause a significant decline in our overall sales and profitability.

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 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 facility shutdowns 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.

Our lack of long-term ethanol orders and commitments by our customers could lead to a rapid decline in our sales and profitability.

We cannot rely on long-term ethanol orders or commitments by our customers for protection from the negative financial effects of a decline in the demand for ethanol or a decline in the demand for our marketing services. The limited certainty of ethanol orders can make it difficult for us to forecast our sales and allocate our resources in a manner consistent with our actual sales. Moreover, our expense levels are based in part on our expectations of future sales and, if our expectations regarding future sales are inaccurate, we may be unable to reduce costs in a timely manner to adjust for sales shortfalls. Furthermore, because we depend on a small number of customers for a significant portion of our sales, the ramifications of these risks are greater in magnitude than if our sales were less concentrated. As a result of our lack of long-term ethanol orders and commitments, we may experience a rapid decline in our sales and profitability.

There are limitations on our ability to receive distributions from our subsidiaries.

We conduct most of our operations through subsidiaries and are dependent upon dividends or other intercompany transfers of funds from our subsidiaries to generate free cash flow. Moreover, some of our subsidiaries are limited in their ability to pay dividends or make distributions, loans or advances to us by the terms of their financing arrangements. At December 31, 2018, we had approximately $190.2 million of net assets at our subsidiaries that were not available to be distributed in the form of dividends, distributions, loans or advances due to restrictions contained in their financing arrangements.

Risks Related to Ownership of our Common Stock

Our stock price is highly volatile, which could result in substantial losses for investors purchasing shares of our common stock and in litigation against us.

The market price of our common stock has fluctuated significantly in the past and may continue to fluctuate significantly in the future. The market price of our common stock may continue to fluctuate in response to one or more of the following factors, many of which are beyond our control:

- fluctuations in the market prices of ethanol and its co-products;
- the cost of key inputs to the production of ethanol, including corn and natural gas;
- the volume and timing of the receipt of orders for ethanol from major customers;
- competitive pricing pressures;
- our ability to timely and cost-effectively produce, sell and deliver ethanol;
- the announcement, introduction and market acceptance of one or more alternatives to ethanol;
- changes in market valuations of companies similar to us;
- stock market price and volume fluctuations generally;
- regulatory developments or increased enforcement;
- fluctuations in our quarterly or annual operating results;
- the timing and results of our strategic initiatives;
- additions or departures of key personnel;
- our ability to obtain any necessary financing;
- our financing activities and future sales of our common stock or other securities, as well as stockholder dilution; and

- our ability to maintain contracts that are critical to our operations.

Demand for ethanol could be adversely affected by a slow-down in the overall demand for oxygenate and gasoline additive products. The levels of our ethanol production and purchases for resale will be based upon forecasted demand. Accordingly, any inaccuracy in forecasting anticipated revenues and expenses could adversely affect our business. The failure to receive anticipated orders or to complete delivery in any quarterly period could adversely affect our results of operations for that period. Quarterly and annual results are not necessarily indicative of future performance for any particular period, and we may not experience revenue growth or profitability on a quarterly or an annual basis.

The price at which you purchase shares of our common stock may not be indicative of the price that will prevail in the trading market. You may be unable to sell your shares of common stock at or above your purchase price, which may result in substantial losses to you and which may include the complete loss of your investment. In the past, securities class action litigation has often been brought against a company following periods of high stock price volatility. We may be the target of similar litigation in the future. Securities litigation could result in substantial costs and divert management's attention and our resources away from our business.

Any of the risks described above could have a material adverse effect on our results of operations or the price of our common stock, or both.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Unregistered Sales of Equity Securities

None.

Use of Proceeds from Registered Securities

Not applicable.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Dividends

Our current and future debt financing arrangements may limit or prevent cash distributions from our subsidiaries to us, depending upon the achievement of specified financial and other operating conditions and our ability to properly service our debt, thereby limiting or preventing us from paying cash dividends.

At March 31, 2019, we had approximately $195.0 million of net assets at our subsidiaries that were not available to be transferred to Pacific Ethanol, Inc. in the form of dividends, loans or advances due to restrictions contained in the credit facilities of our subsidiaries.

For each of the three months ended March 31, 2019 and 2018, we declared and paid in cash an aggregate of $0.3 million in dividends on our Series B Cumulative Convertible Preferred Stock, or Series B Preferred Stock. We have never declared or paid cash dividends on our common stock and do not currently intend to pay cash dividends on our common stock in the foreseeable future. We currently anticipate that we will retain any earnings for use in the continued development of our business. The holders of our outstanding Series B Preferred Stock are entitled to dividends of 7% per annum, payable quarterly. Dividends in respect of our Series B Preferred Stock must be paid prior to the payment of any dividends in respect of our common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

Exhibit Number	Description (**)
10.1	Amendment No. 4 to Credit Agreement and Other Loan Documents dated March 20, 2019 by and among Pacific Ethanol Pekin, LLC, Compeer Financial, PCA and CoBank, ACB (*)
10.2	Third Amended and Restated Term Note dated March 20, 2019 by Pacific Ethanol Pekin, LLC in favor of Compeer Financial, PCA in the face amount of $64,000,000 (*)
10.3	Second Amended and Restated Revolving Term Note dated March 20, 2019 by Pacific Ethanol Pekin, LLC in favor of Compeer Financial, PCA in the face amount of $32,000,000 (*)
10.4	Security Agreement dated March 20, 2019 by and among Pacific Ethanol Pekin, LLC, Compeer Financial PCA and CoBank ACB (*)
10.5	Guaranty and Contribution Agreement dated March 20, 2019 by Pacific Ethanol Central, LLC for the benefit of Compeer Financial, PCA and CoBank, ACB (*)
10.6	Pledge Agreement dated March 20, 2019 by and among Pacific Ethanol Central, LLC, Pacific Aurora, LLC and CoBank, ACB (*)
10.7	Amendment No. 1 to Second Amended and Restated Credit Agreement dated March 27, 2019 by and among Kinergy Marketing LLC, Pacific Ag. Products, LLC and Wells Fargo Bank, National Association (*)
10.8	Pacific Ethanol, Inc. 2019 Short-Term Incentive Plan Description (*)
31.1	Certifications Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)
31.2	Certifications Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 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 (*)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (*)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (*)
101.LAB	XBRL Taxonomy Extension Label Linkbase (*)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (*)

(*) Filed herewith.

(**) Certain of the agreements filed as exhibits contain representations and warranties made by the parties thereto. The assertions embodied in such representations and warranties are not necessarily assertions of fact, but a mechanism for the parties to allocate risk. Accordingly, investors should not rely on the representations and warranties as characterizations of the actual state of facts or for any other purpose at the time they were made or otherwise.

SIGNATURES

Pursuant to the requirements 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.

PACIFIC ETHANOL, INC.

Dated: May 3, 2019

By: /S/ BRYON T. MCGREGOR
Bryon T. McGregor
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

AMENDMENT NO. 4

TO

CREDIT AGREEMENT AND OTHER LOAN DOCUMENTS

THIS AMENDMENT NO. 4 TO CREDIT AGREEMENT AND OTHER LOAN DOCUMENTS, dated as of March 20, 2019 (this "**Agreement**"), is entered into by and between PACIFIC ETHANOL PEKIN, LLC, a limited liability company organized and existing under the laws of Delaware ("**Company**"), COMPEER FINANCIAL, PCA, a federally-chartered instrumentality of the United States, successor by merger to 1st Farm Credit Services, PCA ("**Lender**"), and COBANK, ACB, a federally-chartered instrumentality of the United States ("**Agent**"). Capitalized terms not defined herein shall have the meanings set forth in the Credit Agreement.

BACKGROUND:

WHEREAS, the Company, Lender and Agent have entered into that certain Credit Agreement dated as of December 15, 2016 (as amended, restated, modified or otherwise supplemented from time to time, collectively the "**Credit Agreement**") and the other Loan Documents;

WHEREAS, the Company has requested that, as of the Effective Date, the Credit Agreement and certain other Loan Documents be amended as herein provided; and

WHEREAS, Agent and Lender are willing, subject to the terms and conditions hereinafter set forth, to make such amendments;

NOW, THEREFORE, in consideration of the agreements herein contained, the parties hereby agree as follows:

ARTICLE 1 Definitions.

1.1 **Certain Definitions**. The following terms when used in this Agreement shall have the following meanings:

"**Accounts Receivable Amount**" means, at any given time, the aggregate dollar amount of all accounts receivable then owing to the Company by PEC.

"**Agent**" is defined in the preamble to this Agreement.

"**Agreement**" is defined in the preamble to this Agreement.

"**Aurora Marketing Agent**" means Piper Jaffray and any other marketing agent acceptable to Agent as may be engaged by the owners of the Aurora Assets to market and sell the Aurora Assets.

"**Aurora Assets**" means (a) the membership interests in PAL owned by PEC and Aurora Cooperative Elevator Company, and (b) the assets owned by PAL and its Subsidiaries.

"**Company**" is defined in the preamble to this Agreement.

"**Compliance Conditions**" is defined in Section 2.5.

"**Compliance Date**" is defined in Section 2.5.

"**Credit Agreement**" is defined in the first recital to this Agreement.

"**Deferral Period**" means that period of time commencing on the Effective Date and terminating on the Deferral Period Termination Date.

"Deferral Period Termination Date" means that date which is the earlier of (a) 11:59 p.m. (Mountain time) on July 15, 2019 or (b) the occurrence of an Event of Default under the Loan Documents (excluding therefrom, however, the Excluded Events, the occurrence of which, whether prior to or during the Deferral Period, shall not constitute an Event of Default during the Deferral Period).

"**Effective Date**" is defined in Article 5.

"**Excluded Events**" means those matters identified in Section 2.1 below.

"**Lender**" is defined in the preamble to this Agreement.

"**PAL**" means Pacific Aurora, LLC, a Delaware limited liability company.

"**PEC Contribution Amount**" means the dollar amount representing the sum of the following amounts: (a) the Working Capital Adjustment Amount, plus (b) the Accounts Receivable Amount, plus (c) $12,000,000.

"**PEC Contribution Amount Certificate**" means a certificate of the Company, in form and content reasonably acceptable to Agent and certified by an Authorized Officer, (A) setting forth the calculation of the PEC Contribution Amount as of the date of delivery of such certificate to Agent, (B) certifying that no Event of Default has occurred and is continuing as of the date of delivery of such certificate to Agent (other than may have been caused by the Excluded Events), and (C) attaching documentary proof of the Company's receipt of the PEC Contribution Amount in the amount calculated.

"**PEC Guaranty**" is defined in Article 5.

"**PEC Pledge Agreement**" is defined in Article 5.

"**PEC Security Agreement**" is defined in Article 5.

"**Second Amended and Restated Revolving Term Note**" is defined in Section 3.2 of this Agreement.

"**Second Mortgage Amendment**" is defined in Section 3.3 of this Agreement.

"**Third Amended and Restated Term Note**" is defined in Section 3.1 of this Agreement.

"**Working Capital Adjustment Amount**" means the dollar amount representing the difference of the following amounts: (a) $30,000,000,minus (b) the dollar amount for Working Capital calculated on the latest Compliance Certificate delivered by the Company to Agent.

1.2 **Other Definitions**. Unless otherwise defined or the context otherwise requires, terms used herein (including in the preamble and recitals hereto) have the meanings provided for in the Credit Agreement.

ARTICLE 2 Waivers; Deferral Period.

2.1 Agent and Lender hereby agree:

(a) pending receipt of the PEC Contribution Amount, to temporarily waive the Company's obligation to comply with (i) the covenants contained in Section 8.1 of the Credit Agreement for the periods ending December 31, 2018, January 31, 2019, and February 28, 2019, and (ii) the covenant contained in Section 8.2 of the Credit Agreement for the period ending December 31, 2018;

(b) pending receipt of the PEC Contribution Amount, to temporarily waive any Event of Default which could otherwise be declared as the result of any failure of the Company to collect any account receivable from any Affiliate of the Company within ten (10) Business Days after such account receivable arises; and

(c) to defer until the occurrence of the Deferral Period Termination Date certain principal payments as provided in Section 2.1(c) of the Credit Agreement (described below).

2.2 If the Company (a) receives payment in full of the PEC Contribution Amount from PEC prior to the occurrence Deferral Period Termination Date, and (b) delivers the PEC Contribution Amount Certificate to Agent within two (2) Business Days after receipt of the PEC Contribution Amount (but in no event later than the Deferral Period Termination Date), then (x) the temporary waivers set forth in Sections 2.1(a) and (b) above shall become permanent waivers, and (y) Agent and Lender shall waive compliance with the covenant contained in Section 8.2 of the Credit Agreement for the period ending December 31, 2019. Otherwise, the temporary waivers set forth in Sections 2.1(a) and (b) above shall immediately and automatically expire upon the occurrence of the Deferral Period Termination Date without the need for any notice to the Company or any further action by Agent or Lender.

2.3 At all times prior to the occurrence of the Deferral Period Termination Date, Agent agrees not to exercise any rights or remedies granted under the Loan Documents or at law solely on account of any of the matters temporarily waived or otherwise deferred pursuant to Section 2.1 above.

2.4 Subject only to satisfaction of the Compliance Conditions, immediately upon (and at all times after) the occurrence of the Deferral Period Termination Date, Agent and the Lending Parties shall have the full right and power to exercise all rights and remedies granted under the Loan Documents and at law on account of the occurrence and continuance of an Event of Default, including with respect to those matters which were temporarily waived or otherwise deferred pursuant to Section 2.1 above.

2.5 In the event that, prior to the Deferral Period Termination Date, the conditions set forth in clauses (a) and (b) of Section 2.2 above are satisfied, the waivers set forth clauses (x) and (y) of Section 2.2 above have been given and the deferred payments have been made as provided in Section 2.1(c) of the Credit Agreement (the "**Compliance Conditions**"), then, so long as no other Event of Default has occurred and is then continuing (excluding those arising out of an Excluded Event), the Company shall be deemed in compliance with the Loan Documents, the date prior to the Deferral Period Termination Date upon which all of the foregoing occur being the "**Compliance Date**".

ARTICLE 3 Amendments.

Effective on (and subject to the occurrence of) the Effective Date, the Credit Agreement and certain other Loan Documents are amended as follows:

3.1 **Term Note**. The Term Note referenced in Section 2.1(a) of the Credit Agreement, and attached to the Credit Agreement as Exhibit A, has been amended and restated in its entirety and is in the form attached hereto as Exhibit A, the terms and provisions of which are incorporated into the Credit Agreement by reference and made a part thereof (the "**Third Amended and Restated Term Note**").

3.2 **Revolving Term Note**. The Revolving Term Note referenced in Section 2.2(b) of the Credit Agreement, and attached to the Credit Agreement as Exhibit B, has been amended and restated in its entirety and is in the form attached hereto as Exhibit B, the terms and provisions of which are incorporated into the Credit Agreement by reference and made a part thereof (the "**Second Amended and Restated Revolving Term Note**").

3.3 **Mortgage Amendment**. The Illinois Future Advance Real Estate Mortgage dated December 15, 2016, executed by the Company in favor of Lender, has been amended in the form attached hereto as Exhibit C, the terms and provisions of which are incorporated into the Credit Agreement by reference and made a part thereof (the "**Second Mortgage Amendment**").

3.4 **Amendment to Section 2.1 of the Credit Agreement**. Section 2.1 of the Credit Agreement is hereby amended by adding a new paragraph (c) as follows:

(c) **Payments on Deferral Period Termination Date**. Payment of each principal installment that becomes due and payable under the Term Note during the Deferral Period shall be deferred to (and shall be immediately due and payable upon) the Deferral Period Termination Date. Subject to compliance with Section 2.6, the Company shall also prepay (for immediately application to the Term Loan) each other principal installment due and payable under the Term Note during calendar year 2019 on or before the Deferral Period Termination Date.

3.5 **Amendment to Section 3.3 of the Credit Agreement**. Section 3.3 of the Credit Agreement is hereby amended by deleting the last sentence in paragraph (c) in its entirety and substituting the following sentence in its place:

Notwithstanding any provision in the Loan Documents to the contrary and solely for purposes of this paragraph, from and after the Fourth Amendment and continuing at all times thereafter, the Quoted Rate Option shall mean a Quoted Rate that is fixed for a 365 day period and equal to the cost of funds of Agent plus 5.00% per annum.

3.6 **Amendment to Section 6.1 of the Credit Agreement**. Section 6.1 of the Credit Agreement is hereby amended by adding new paragraphs (f), (g) and (h) as follows:

(f) **Updated Financial Projections**. Within thirty (30) days after each month or at any other time reasonably requested by Agent, updated balance sheets, income statements, capital expenditure plans, and cash flow statements for the current fiscal year, each in form and substance (and with reasonable detail) acceptable to Agent.

(g) **Rolling 13-Week Cash Flow Forecasts**. From and after the Fourth Amendment Date and continuing at all times thereafter, within three (3) Business Days after each Friday, a rolling 13-week cash flow forecast prepared by the Company covering the 13-week period commencing with the immediately preceding week and detailing (i) projected cash receipts, (ii) projected disbursements, (iii) net cash flow, and (iv) such other items set forth therein and other information reasonably requested by Agent for such 13-week period, together with a comparison to the immediately preceding forecast and accompanied by a management narrative explaining results of operations and variances to the immediately preceding forecast and a reconciliation to cash balances held in the Company's accounts (all in form and substance reasonably acceptable to Agent).

(h) **Sales Reports**.

(i) From and after the Fourth Amendment Date and continuing at all times thereafter until the occurrence of the Compliance Date, promptly upon their becoming available to the Company (but in no event later than ten (10) days after receipt by the Company thereof), copies of the engagement letter(s) with the Aurora Marketing Agent(s) (together with all amendments and supplements thereto), all sale offering and marketing materials prepared by the Aurora Marketing Agent(s), and all indications of interest, letters of intent, and written offers for the Aurora Assets.

(ii) From and after the Fourth Amendment Date and continuing at all times thereafter until the occurrence of the Compliance Date, within five (5) Business Days after each calendar month end, a written report prepared by the Company detailing any changes to the timeline for the marketing and sale of the Aurora Assets and including copies of all indications of interest, letters of intent, and written offers for the Aurora Assets.

All sales reports and marketing information shall be maintained as confidential by Agent, Lenders and their respective representatives and advisors and shall at no time be disclosed to any other third party or otherwise filed in any public filing (other than as required by law), it being understood that doing so could have a materially adverse effect on the value and marketability of the Aurora Assets. It is further understood and agreed that all such information constitute privileged communications and information, protected by and subject to Federal Rules of Evidence Section 408 and any state court equivalent laws.

3 . 7 **Amendment to Section 6.2 of the Credit Agreement**. Section 6.2 of the Credit Agreement is hereby amended by deleting Section 6.2 in its entirety and substituting the following in its place:

Section 6.2. - Lender Equity; Patronage; Statutory Lien; Voting Stockholder.

(a) Lender Equity. So long as any Farm Credit Lender is a lender or participant hereunder, the Company will acquire equity in such Farm Credit Lenders in such amounts and at such times as each Farm Credit Lender may require in accordance with its bylaws and capital plan (as each may be amended or otherwise modified from time to time), except that the maximum amount of equity that the Company may be required to purchase in each Farm Credit Lender in connection with the Loans and other financial accommodations made hereunder by such Farm Credit Lender may not exceed the maximum amount permitted by the bylaws and capital plan of such Farm Credit Lender at the time this Agreement is entered into. The Company acknowledges receipt of a copy of (i) the most recent annual report, and if more recent, latest quarterly report for each Farm Credit Lender, (ii) the Notice to Prospective Stockholders provided by CoBank, and any similar notice provided by the other Farm Credit Lenders and (iii) the bylaws and capital plan of each Farm Credit Lender, which describe the nature of all of the Company's stock and other equities in each Farm Credit Lender acquired in connection with its patronage loan from such Farm Credit Lenders (the "**Lender Equities**") as well as capitalization requirements, and agrees to be bound by the terms thereof.

(b) **Patronage**. Each party hereto acknowledges that the bylaws and capital plan (as each may be amended from time to time) of each Farm Credit Lender shall govern (i) the rights and obligations of the parties with respect to the Lender Equities and any patronage refunds or other distributions made on account thereof or on account of the Company's patronage with such Farm Credit Lender, (ii) the Company's eligibility for patronage distributions from each Farm Credit Lender (in the form of equities and cash) and (iii) patronage distributions, if any, in the event of a sale of a participation interest. Each Farm Credit Lender reserves the right to assign or sell participations on a non-patronage basis in all or any part of its commitments or outstanding Loans and other financial accommodations made hereunder.

(c) **Statutory Lien**. The Company acknowledges that pursuant to the Farm Credit Act of 1971 (as amended or otherwise modified from time to time) each applicable Farm Credit Lender has a statutory first Lien on its Lender Equities, as the case may be, that the Company may now own or hereafter acquire, which statutory Lien shall secure the Obligations and be for each applicable Farm Credit Lender's sole and exclusive benefit. The Lender Equities, as the case may be, shall not constitute or form a part of the Collateral. To the extent that any of the Loan Documents create a Lien on the Lender Equities of the applicable Farm Credit Lender or on patronage accrued by the applicable Farm Credit Lender for the account of the Company or proceeds thereof, such Lien shall be for each applicable Farm Credit Lender's sole and exclusive benefit and shall not be subject to sharing with any other lender or participant hereunder (other than a Subsidiary or Affiliate of a lender or participant to the extent any Obligations are owing by the Company to any of them. Neither the Lender Equities nor any accrued patronage thereon shall be offset against the Obligations, except that, in the event of an Event of Default, each applicable Farm Credit Lender may elect to apply the cash portion of any patronage distribution or retirement of equity to amounts owed to such Farm Credit Lender under this Agreement, whether or not such amounts are currently due and payable. The Company acknowledges that any corresponding tax liability associated with such application is the sole responsibility of the Company. No applicable Farm Credit Lender shall have any obligation to retire its Lender Equities at any time, including during the continuance of any Default or Event of Default, either for application to the Obligations or otherwise.

3.8 **Amendment to Section 6.3 of the Credit Agreement**. Section 6.3 of the Credit Agreement is hereby amended by adding the following sentence at the end of Section 6.3:

Payment and performance of the Obligations shall also be (a) guaranteed by PEC pursuant to the PEC Guaranty, and (b) secured by first priority perfected Liens on all personal property of PEC pursuant to the PEC Pledge Agreement and the PEC Security Agreement.

3.9 **Amendment to Section 6.8 of the Credit Agreement**. Section 6.8 of the Credit Agreement is hereby amended by deleting Section 6.8 in its entirety and substituting the following in its place:

6.8 **Visitation and Inspection Rights**. The Company shall, and shall cause each of its Subsidiaries and the advisors, agents, and representatives of all of them to, (i) cooperate with, consult with, and provide to Agent and Lender and their advisors, agents, and representatives all such information and documents that the Company is obligated to provide under the Loan Documents; (ii) upon at least one Business Day's prior written notice and during normal business hours, permit Agent and Lender and their advisors, agents and representatives to visit and inspect any of the Company's business premises and other properties, to examine and make abstracts or copies from any of its books, records, reports, and other papers, and to discuss its affairs, finances, properties, business operations, and accounts with its officers, employees, accountants, and other advisors; and (iii) upon at least one Business Day's prior written notice and during normal business hours, permit Agent and Lender and their advisors, agents, and representatives to conduct (at Agent's and Lender's reasonable discretion as to scope and frequency and at the Company's cost and expense) field audits, collateral inspections, valuations, appraisals, and environmental surveys in respect of any or all of the Collateral.

3.10 **Amendment to Section 6.12 of the Credit Agreement**. Section 6.12 of the Credit Agreement is hereby amended by (A) deleting the word "and" at the end of paragraph (d), (B) substituting ";" for "." at the end of paragraph (e), and (C) adding new paragraphs (f) and (g) as follows:

(f) Duly executed control agreements (reasonably acceptable to Agent) for all deposit accounts, commodity accounts, and investment accounts maintained by the Company, including all accounts listed on Schedule C to the Security Agreement, within thirty (30) days after the Fourth Amendment Date; and

(g) A completed perfection certificate prepared in the form attached as Exhibit H to the Fourth Amendment, within five (5) Business Days after the Fourth Amendment Date.

3.11 **Amendment to Section 7.1 of the Credit Agreement** Section 7.1 of the Credit Agreement is hereby amended by adding a new paragraph (e) as follows:

(e) Capital Leases for rail cars permitted under Section 7.15.

3.12 **Amendment to Section 8.1 of the Credit Agreement**. Section 8.1 of the Credit Agreement is hereby amended by deleting Section 8.1 in its entirety and substituting the following Section 8.1 in its place:

8.1 **Working Capital**. The Company will maintain the Working Capital of the Consolidated Group at not less than: (a) $15,000,000, commencing on the Fourth Amendment Date and continuing at all times thereafter during the Deferral Period, measured as of the last day of each calendar month; and (b) $30,000,000, commencing on the Deferral Period Termination Date and continuing at all times thereafter, measured as of the last day of each calendar month.

3.13 Amendment to Section 9.1 of the Credit Agreement. Section 9.1 of the Credit Agreement is amended by deleting Section 9.1(c) in its entirety and substituting the following Section 9.1(c) in its place:

(c) **Breach of Negative Covenants or Certain Affirmative Covenants**. The Company shall default in the observance or performance of Article 7, Article 8, Section 6.1(f), 6.1(g), 6.1(h) , 6.2, 6.8, 6.10, 6.12(f), or 6.12(g) of the Credit Agreement or any other covenant pertaining to compliance with Laws or use of proceeds.

3.14 **Amendment to Section 9.1 of the Credit Agreement**. Section 9.1 of the Credit Agreement is amended by adding the following sentence at the end of Section 9.1(d):

The 30-day grace period referenced in the preceding sentence shall not apply to any default in the observance or performance of any covenant, condition, or provision contained in the PEC Guaranty, the PEC Pledge Agreement, or the PEC Security Agreement.

3.15 **Amendment to Section 9.1 of the Credit Agreement** Section 9.1 of the Credit Agreement is hereby amended by adding a new paragraph (n) as follows:

(n) **PEC Contribution Amount**. (i) PEC shall fail to pay to the Company the full amount of the PEC Contribution Amount prior to the occurrence of the Deferral Period Termination Date, and (ii) within two (2) Business Days after the Company's receipt of the PEC Contribution Amount (but in no event later than the Deferral Period Termination Date), the Company shall fail to deliver to Agent the PEC Contribution Amount Certificate.

3.16 **Amendment to Section 11.2 of the Credit Agreement**. Section 11.2 of the Credit Agreement is hereby amended by deleting Section 11.2(a) in its entirety and substituting the following Section 11.2(a) in its place:

(a) **Costs and Expenses**. The Company shall pay or reimburse Agent and the Lending Parties and their Affiliates for all actual and reasonable out-of-pocket expenses, fees, costs, disbursements, charges, and other amounts (including attorneys' fees) incurred by Agent and the Lending Parties and their Affiliates (but without duplication) in connection with (or relating in any way to) the Loans or any other Obligation (including any monitoring, workout, restructuring, or negotiations in respect of the Loans or any other Obligation), this Agreement or any other Loan Document (including the preparation, negotiation, execution, delivery, administration, enforcement, amendment, modification, waiver, or termination of this Agreement or any other Loan Document and any transactions contemplated thereby), or the Collateral (including any actions taken to perfect or maintain the perfection of Liens on the Collateral, to maintain insurance on the Collateral, or to monitor, audit, inspect, evaluate, observe, verify, assess, appraise, collect, sell, liquidate, foreclose, or otherwise dispose of the Collateral). The Company acknowledges and agrees that (i) Agent and the Lending Parties may at any time (whether or not a Default or Event of Default then exists) employ counsel, accountants, consultants, appraisers, auditors, or other advisors for advice or other representation in connection with (or relating in any way to) the Loans or any other Obligation, this Agreement or any other Loan Document, or the Collateral on such terms and conditions acceptable to Agent and the Lending Parties (but without duplication as between Agent and Lenders), and (ii) all actual and reasonable out-of-pocket expenses, fees, costs, disbursements, and charges of such counsel, accountants, consultants, appraisers, auditors, and other advisors shall be payable by the Company on demand and shall constitute additional Obligations secured by the Collateral.

3.17 **Amendments to Annex A to the Credit Agreement**

(a) Annex A to the Credit Agreement is hereby amended by adding each of the following definitions as a new definition:

"**Accounts Receivable Amount**" has the meaning set forth in the Fourth Amendment.

"**Aurora Assets**" has the meaning set forth in the Fourth Amendment.

""**Aurora Marketing Agent**" has the meaning set forth in the Fourth Amendment.

"**Compliance Conditions**" has the meaning set forth in the Fourth Amendment.

"**Compliance Date**" has the meaning set forth in the Fourth Amendment.

"**Deferral Period**" has the meaning set forth in the Fourth Amendment.

"Deferral Period Termination Date" has the meaning set forth in the Fourth Amendment.

"**Farm Credit Lender**" means a federally-chartered Farm Credit System lending institution organized under the Farm Credit Act of 1971, as the same may be amended or supplemented from time to time. When used in this Agreement in reference to the Lender Equities, "Farm Credit Lender" shall also include the affiliate of such Farm Credit Lender in which such Lender Equities are purchased or acquired, as applicable.

"**Fourth Amendment**" means Amendment No. 4 to Credit Agreement and Other Loan Documents, executed by the Company, Agent, and Lender.

"**Fourth Amendment Date**" means the "Effective Date" of the Fourth Amendment.

"**Loan Documents**" means this Agreement, each Note, the Environmental Indemnity and Reimbursement Agreement, each Interest Rate Hedge, the PEC Guaranty, the PEC Pledge Agreement, the PEC Security Agreement and each other agreement, guaranty, security agreement, pledge, mortgage, deed of trust, instrument, agreement, certificate, application, invoice and document executed or delivered in connection herewith or therewith.

Long Term Debt" means Indebtedness under the Loans.

"**PAL**" has the meaning set forth in the Fourth Amendment.

"**PEC Contribution Amount**" has the meaning set forth in the Fourth Amendment.

"**PEC Contribution Amount Certificate**" has the meaning set forth in the Fourth Amendment.

"**PEC Guaranty**" has the meaning set forth in the Fourth Amendment.

"**PEC Pledge Agreement**" has the meaning set forth in the Fourth Amendment.

"**PEC Security Agreement**" has the meaning set forth in the Fourth Amendment.

"**Working Capital Adjustment Amount**" has the meaning set forth in the Fourth Amendment.

(b) Annex A to the Credit Agreement is hereby amended by deleting the definition of "Obligations" and substituting the following definition in its place:

"**Obligations**" means all obligations, indebtedness, and liabilities to Lender, Agent, Cash Management Provider or any Subsidiary of Affiliate of Lender, Agent, or Cash Management Provider, of any nature whatsoever arising at any time and from time to time including those arising under this Agreement, any Note, or any other Loan Document and including those arising under Interest Rate Hedges, Swap Obligations or agreement governing other financial services or products (including cash management services) provided by Lender, Agent, Cash Management Provider or one of their Subsidiaries or Affiliates to the Company.

(c) Annex A to the Credit Agreement is hereby amended by adding the following sentence at the end of the definition of "Working Capital":

For purposes of determining the current liabilities, any portion of Long Term Debt and Capital Leases that is payable within twelve (12) months may be excluded.

3.18 **Amendment to Section 2 of the Security Agreement**. Section 2 of the Security Agreement dated December 15, 2016, executed by the Company, Agent, and Lender (the "**Security Agreement**"), is hereby amended by deleting Section 2 of the Security Agreement in its entirety and substituting the following in its place:

SECTION 2. THE OBLIGATIONS. The security interest granted hereunder shall secure the payment and performance of all Obligations (as defined in the Agreement) and all other obligations of the Debtor to the Secured Party, the Lender, and the Cash Management Provider of every type and description, whether now existing or hereafter arising, fixed or contingent, as primary obligor or as guarantor or surety, acquired directly or by assignment or otherwise, liquidated or unliquidated, regardless of how they arise or by what agreement or instrument they may be evidenced, including without limitation all loans, advance and other extensions of credit by any of the Secured Party, the Lender, or the Cash Management Provider to the Debtor and all covenants, agreements, and provisions contained in all loan and other agreements between the Debtor, on the one hand, and any of the Secured Party, the Lender, or the Cash Management Provider, on the other hand.

3.19 **Amendment to Section 3 of the Security Agreement**. Section 3 of the Security Agreement is hereby amended by adding new paragraphs O and P as follows:

O. **Deposit Accounts**. All of the Debtor's deposit accounts are listed on **Schedule C** attached hereto and made a part hereof. Each of the deposit accounts listed on **Schedule C** shall be deemed to be a "deposit account" referenced in the definition of "Collateral" contained in Section 1 of this Security Agreement and shall be subject in all respects to the security interest granted by the Debtor to the Secured Party pursuant to this Security Agreement. Upon establishing a deposit account that is not listed on **Schedule C** (to the extent that establishing such deposit account is otherwise permitted hereunder and under any other Loan Document), the Debtor shall promptly give notice to the Secured Party that such deposit account has been established and shall immediately execute or otherwise authenticate a supplement to **Schedule C** that includes such deposit account and take all action necessary to give the Secured Party "control" (as such term is defined in the UCC) over such deposit account, including causing the applicable bank or financial institution to enter into a control agreement (in form and substance acceptable to the Secured Party) with the Secured Party for such deposit account.

P. **Commercial Tort Claims**. All of Debtor's commercial tort claims are listed on **Schedule D** attached hereto and made a part hereof. Each of the commercial tort claims listed on **Schedule D** shall be deemed to be a "commercial tort claim" referenced in the definition of "Collateral" contained in Section 1 of this Security Agreement and shall be subject in all respects to the security interest granted by the Debtor to the Secured Party pursuant to this Security Agreement. Upon the Debtor commencing (or otherwise becoming aware of the existence of) a commercial tort claim that is not expressly identified on **Schedule D**, the Debtor shall promptly give notice to the Secured Party of such commercial tort claim and shall immediately execute or otherwise authenticate a supplement to **Schedule D** that expressly identifies such commercial tort claim and take all other action necessary to subject such commercial tort claim to the first priority security interest created under this Security Agreement.

3.20 **Amendment to Section 4 of the Security Agreement**. Section 4 of the Security Agreement is hereby amended by adding (immediately after paragraph D) a new paragraph E as follows:

E. **Appointment of Receiver**. Upon and during the existence of an Event of Default, the Secured Partyshall be entitled to apply for the appointment of a receiver of any or all of the Collateral, and of all rents, incomes, profits, issues and revenues thereof, and the Debtor hereby consent to such appointment and agrees that the receiver may serve without bond if permitted by law. The Debtor expressly waives notice of and the right to object to the appointment of a receiver and agrees that such appointment shall be made as a matter of absolute right of the Secured Party and without reference to the adequacy or inadequacy of the value of the Collateral or to the Debtor's solvency.

3.21 **Amendment to Schedules to Security Agreement**. The Schedules to the Security Agreement are amended by attaching new Schedules C and D in the forms attached hereto as Exhibit D, which new Schedules C and D shall be deemed to be attached to the Security Agreement and made a part thereof.

3.22 **Form of Compliance Certificate**. The Compliance Certificate referenced in Section 6.1(c) of the Credit Agreement, and attached to the Credit Agreement as Exhibit C, has been amended and restated in its entirety and is in the form attached hereto as Exhibit I.

ARTICLE 4 Representations and Warranties; Acknowledgments.

4.1 In order to induce Agent and Lender to grant the deferrals provided for in Article 2 and make the amendments provided for in Article 3, the Company hereby represents and warrants to Agent and the Lending Parties as of the Effective Date that:

(a) The recitals set forth above are true, complete, accurate, and correct in all material respects (unless qualified by materiality, in which case they shall be true and correct in all respects) and are part of this Agreement, and such recitals are incorporated herein by this reference;

(b) Except with respect to any representations and warranties related to the Excluded Events, all representations and warranties made and given by the Company in the Loan Documents are true, complete, accurate, and correct in all material respects (unless qualified by materiality, in which case they shall be true and correct in all respects), as if given on the Effective Date (or, as to representations and warranties that specifically refer to an earlier date, as of such earlier date) after giving effect to this Agreement;

(c) The Company has no claims, offsets, rights of recoupment, counterclaims, or defenses (other than payment) with respect to: (a) the payment of any amount due under the Loans and the Loan Documents; (b) the performance of the Company's obligations under the Loan Documents; or (c) the liability of the Company under the Loan Documents;

(d) Agent and the Lending Parties: (i) have not breached any duty to the Company in connection with the Loans or the Loan Documents; and (ii) have fully performed all obligations they may have had or now have to the Company;

(e) The Company has had the assistance of independent counsel of its own choice, or has had the opportunity to retain such independent counsel, in reviewing, discussing, and considering all the terms of this Agreement. Before execution of this Agreement, the Company has had adequate opportunity to make whatever investigation or inquiry it may deem necessary or desirable in connection with the subject matter of this Agreement;

(f) The Company is not acting in reliance on any representation, understanding, or agreement from or with Agent or the Lending Parties not expressly set forth herein. The Company acknowledges that none of Agent or the Lending Parties has made any representation with respect to the subject of this Agreement except as expressly set forth herein. The Company has executed this Agreement as its free and voluntary act, without any duress, coercion, or undue influence exerted by or on behalf of any Person;

(g) All interest or other fees or charges which have been imposed, accrued or collected by Agent under the Loan Documents or in connection with the Loans through the date of this Agreement, and the method of computing the same, were and are proper and agreed to by the Company, and were properly computed and collected;

(h) This Agreement is not intended by the parties to be a novation of the Loan Documents and, except as expressly waived, deferred or otherwise modified herein, all terms, conditions, rights, and obligations as set out in the Loan Documents are hereby reaffirmed and shall otherwise remain in full force and effect as originally written and agreed;

(i) Notwithstanding anything to the contrary in this Agreement, except as waived, deferred or modified herein, the Loan Documents are in full force and effect in accordance with their respective terms, remain legal, valid and binding obligations of the Company that are enforceable in accordance with their respective terms, have not been modified or amended (except in written amendments executed by the parties), and are hereby reaffirmed and ratified by the Company;

(j) All information provided by the Company (or any of its agents or representatives) to Agent or the Lending Parties prior to the Effective Date is true, correct and complete in all material respects as of the date provided and does not contain any untrue statements of fact or omit to state a fact necessary to make the statements made not misleading in any material respect;

(k) All financial statements delivered by the Company (or any of its agents or representatives) to Agent or the Lending Parties prior to the Effective Date are true and correct in all material respects and fairly present the financial condition of the Company;

(l) As of the Effective Date, the Company has delivered to Agent all statements, notices, certificates, projections, updates, and other information required under Article 6 of the Credit Agreement;

(m) The execution and delivery of this Agreement and the performance by the Company of its obligations hereunder are within the corporate or company powers and authority of the Company, have been duly authorized by all necessary corporate action, and do not and will not contravene or conflict with the charter or by-laws of the Company;

(n) This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, covenants, and conditions; and

(o) After giving effect to this Agreement, no Default or Event of Default (other than related to any Excluded Event) has occurred and is continuing.

4.2 In order to induce Agent and Lender to grant the deferrals provided for in Article 2 and make the amendments provided for in Article 3, the Company hereby represents and warrants to Agent and the Lending Parties that (a) as of the Effective Date, the Accounts Receivable Amount is not greater than [$18,330,000], and (b) at no time during the Deferral Period will the Accounts Receivable Amount exceed [$18,330,000].

4.3 In order to induce Agent and Lender to grant the temporary waivers and deferrals provided for in Article 2 and make the amendments provided for in Article 3, the Company hereby ratifies and confirms all of the terms, covenants and conditions set forth in the Loan Documents as modified herein and hereby agrees, acknowledges and reaffirms that (a) the Loan Documents as modified herein constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, covenants, and conditions, (b) the Company remains unconditionally liable to Agent and the Lending Parties in accordance with the respective terms, covenants, and conditions set forth in the Loan Documents as modified herein, (c) Agent and Lender have valid, duly perfected, fully enforceable Liens on the Collateral, (d) all Liens heretofore granted to Agent and Lender in the Collateral continue in full force and effect and secure the Obligations, (e) the Company shall execute and deliver to Agent and the Lending Parties any and all agreements and other documentation and to take any and all actions reasonably requested by Agent and the Lending Parties at any time to assure the perfection, protection, priority, and enforcement of Agent's and Lender's rights under the Loan Documents (including this Agreement) with respect to all such Liens (but without any increase to the obligations or liabilities of the Company under the Loan Documents), and (f) as of March 18, 2019, the amount of the Obligations owing under the Loan Documents (exclusive of attorneys' fees and other fees, expenses, advances, and costs) totaled $75,609,166.66, consisting of (i) unpaid principal of $43,000,000.00 and accrued, unpaid interest of $349,255.55 on the Term Loan, and (ii) unpaid principal of $32,000,000.00 and accrued, unpaid interest of $259,911.11 on the Revolving Term Loan.

ARTICLE 5 Conditions to Effectiveness.

This Agreement shall become effective on such date (the "**Effective Date**") when each of the following conditions has been satisfied:

5.1 **Representations and Warranties**. All covenants, representations and warranties made by the Company pursuant to Article 4 shall be true and correct.

5.2 **Term Note**. Agent shall have received a duly executed Third Amended and Restated Term Note.

5.3 **Revolving Term Note**. Agent shall have received a duly executed Second Amended and Restated Revolving Term Note.

5.4 **Mortgage Amendment**. Agent shall have received a duly executed Second Mortgage Amendment.

5.5 **PEC Guaranty**. Agent shall have received a guaranty agreement in the form attached hereto as Exhibit E duly executed by PEC the ("PEC **Guaranty**").

5.6 **PEC Pledge Agreement**. Agent shall have received a pledge agreement in the form attached hereto as Exhibit F duly executed by PEC (the "PEC **Pledge Agreement**").

5.7 **PEC Security Agreement**. Agent shall have received a security agreement in the form attached hereto as Exhibit G duly executed by PEC (the "**PEC Security Agreement**").

5.8 **Updated Schedules**. Agent shall have received updated schedules to the Credit Agreement in accordance with Section 6.11 of the Credit Agreement.

5.9 **Schedule C to Security Agreement**. Agent shall have received a completed Schedule C to the Security Agreement.

5.10 **Insurance Certificates**. Agent shall have received current insurance certificates for all insurance policies maintained by the Company.

5.11 **Other Requests**. Agent shall have received such other certificates, instruments, documents, agreements, information and reports as may be requested by Agent, in form and substance acceptable to Agent.

5.12 **Reimbursement of Fees/Expenses**. The Company shall have paid all out-of-pocket fees and expenses of Agent and the Lending Parties (including legal and audit fees) that accrued in relation to the Loan Documents, including, without limitation, all out-of-pocket fees and expenses incurred in connection with the preparation, drafting, negotiation, implementation of this Agreement.

5.13 **Amendment Fee**. Agent shall have received a non-refundable amendment fee of $150,000.

5.14 **Aurora Marketing Agent**. The Company shall have (a) engaged Piper Jaffray as an Aurora Marketing Agent, and (b) delivered to Agent copies of all of the following that are currently available to the Company: (i) the engagement letter(s) with Piper Jaffray and any other Aurora Marketing Agent (together with all amendments and supplements thereto); (ii) all sale offering and marketing materials prepared by the Aurora Marketing Agent(s); and (iii) all indications of interest, letters of intent, and written offers for the Aurora Assets.

5.15 **Required Consents, etc**. The Company shall have delivered to Agent all consents, authorizations and amendments determined by Agent to be necessary to ensure the enforceability of the PEC Guaranty, the PEC Pledge Agreement and the PEC Security Agreement.

Upon the delivery by Agent of a fully executed copy of this Agreement to the Company, the conditions set forth above shall be deemed satisfied and the Effective Date shall be deemed to have occurred as of the date so delivered.

ARTICLE 6 Release.

As a material part of the consideration for Agent and Lender entering into this Agreement, the Company agrees as follows (the "**Release Provision**")

6 . 1 The Company hereby releases and forever discharges Agent and the Lender Parties and each such parties' respective predecessors, successors, assigns, participants, officers, managers, directors, shareholders, employees, agents, attorneys, representatives, parent corporations, subsidiaries, and affiliates (hereinafter all of the above collectively referred to as "**Released Group**"), jointly and severally, from any and all claims, counterclaims, demands, damages, debts, agreements, covenants, suits, contracts, obligations, liabilities, accounts, offsets, rights, actions, and causes of action of any nature whatsoever, including, without limitation, all claims, demands, and causes of action for contribution and indemnity, whether arising at law or in equity, whether presently possessed or possessed in the future, whether known or unknown, whether liability be direct or indirect, liquidated or unliquidated, whether presently accrued or to accrue hereafter, whether absolute or contingent, foreseen or unforeseen, and whether or not heretofore asserted, and including whether arising from the negligence (but not the gross negligence or willful misconduct) of any of the Released Group, which the Company may have or claim to have against any of the Released Group, in each case only to the extent arising or accruing prior to and including the Effective Date.

6.2 The Company agrees not to sue any of the Released Group or in any way assist any other person or entity in suing any of the Released Group with respect to any claim released herein. This Release Provision may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against, any action, suit, or other proceeding which may be instituted, prosecuted, or attempted in breach of the release contained herein.

6.3 The Company is the sole owner of the claims released by the Release Provision, and the Company has not heretofore conveyed or assigned any interest in any such claims to any other person or entity. The Company understands that the Release Provision was a material consideration in the agreement of Agent and Lender to enter into this Agreement.

6 . 4 It is the express intent of the Company that the release and discharge set forth in the Release Provision be construed as broadly as possible in favor of the Released Group so as to foreclose forever the assertion by the Company of any claims released hereby against any of the Released Group. If any term, provision, covenant, or condition of the Release Provision is held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the remainder of the provisions shall remain in full force and effect.

ARTICLE 7 Miscellaneous.

7 . 1 **Loan Document Pursuant to Credit Agreement**. This Agreement is a Loan Document executed pursuant to the Credit Agreement. Except as expressly amended hereby, all of the representations, warranties, terms, covenants and conditions contained in the Credit Agreement and each other Loan Document shall remain unamended and otherwise unmodified and in full force and effect.

7.2 **Limitation of Amendments**. The temporary waivers and deferrals granted in Article 2 and the amendments provided in Article 3 shall be limited precisely as provided for therein and shall not be deemed to be a waiver of, amendment of, consent to or modification of any other term or provision of the Credit Agreement or any term or provision of any other Loan Document or of any transaction or further or future action on the part of the Company which would require the consent of Agent or the Lending Parties under the Credit Agreement or any other Loan Document.

7 . 3 **Collateral**. To the extent any Collateral is personal property, the Company hereby renounces and waives all rights that are waivable under Article 9 of the Uniform Commercial Code (the "**UCC**") of any jurisdiction in which any Collateral may now or hereafter be located. The Company also hereby acknowledges and agrees that a public sale shall constitute a commercially reasonable manner for the disposition of the Collateral.

7.4 **Counterparts; Effectiveness**. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall become effective when it shall have been executed by Agent and when Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or email shall be as effective as delivery of a manually executed counterpart of this Agreement.

7.5 **Incorporation of Credit Agreement Provisions**. The provisions of Article 11 of the Credit Agreement shall apply to this Agreement, mutatis mutandis.

7 . 6 **Updated Notice Address**. In accordance with Section 11.4(c) of the Credit Agreement, Agent hereby notifies Lender and the Company that the following shall be the notice address for Agent and Cash Management Provider:

6340 S. Fiddlers Green Circle
Greenwood Village, CO 80111
Attention: Credit Information Services
Fax: (303) 224-6101
Email: CIServices@cobank.com

[*Signature Pages Follow*]

[SIGNATURE PAGE TO CREDIT AGREEMENT AMENDMENT]

IN WITNESS WHEREOF, the parties hereto, by their Authorized Officers, have executed this Agreement as of the date first set forth above.

COMPANY:

PACIFIC ETHANOL PEKIN, LLC

By: /s/ Bryon T. McGregor
Name: Bryon T. McGregor
Title: Chief Financial Officer

[SIGNATURE PAGE TO CREDIT AGREEMENT AMENDMENT]

IN WITNESS WHEREOF, the parties hereto, by their Authorized Officers, have executed this Agreement as of the date first set forth above.

LENDER:

COMPEER FINANCIAL, PCA

By: /s/ Kevin Buente
Name: Kevin Buente
Title: Principal Credit Officer

[SIGNATURE PAGE TO CREDIT AGREEMENT AMENDMENT]

IN WITNESS WHEREOF, the parties hereto, by their Authorized Officers, have executed this Agreement as of the date first set forth above.

COBANK, ACB

By: /s/ Tom D. Houser
Name: Tom D. Houser
Title: Vice President

EXHIBIT A

Form of Third Amended and Restated Term Note

[*see attached*]

THIRD AMENDED AND RESTATED
TERM NOTE

$64,000,000

Greenwood Village, Colorado
March 20, 2019

FOR VALUE RECEIVED, PACIFIC ETHANOL PEKIN, LLC, a limited liability company organized and existing under the laws of Delaware (the "**Company**"), hereby promises to pay to the order of COMPEER FINANCIAL, PCA, successor by merger to 1st Farm Credit Services, PCA (which, together with its endorsees, successors, and assigns, is referred to herein as the "**Bank**"), at the office of CoBank, ACB (the "**Agent**"), located at 6340 S. Fiddlers Green Circle, Greenwood Village, Colorado 80111 (or at such other place of payment designated by the holder hereof to the Company), the principal sum of SIXTY-FOUR MILLION DOLLARS ($64,000,000) (such amount, the "**Term Loan Amount**") (each loan and any one or more portions of any loan being referred to herein as a "**Loan**"), and to pay interest, as set forth below, from the date hereof until Payment in Full on the principal amount remaining from time to time outstanding at the rates set forth below, in lawful money of the United States of America in immediately available funds, payable with interest thereon, as set forth below, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Company, and without set-off, counterclaim or other deduction of any nature. This Third Amended and Restated Term Note (as amended, restated, modified, supplemented, replaced, refinanced or renewed from time to time, this "**Note**") is given pursuant to that Credit Agreement, dated as of December 15, 2016, between the Company, the Bank and the Agent (as amended, restated, modified or supplemented from time to time, the "**Agreement**"). Capitalized terms not otherwise defined in this Note shall have the respective meanings ascribed to them by the Agreement, including Annex A thereto, and the Rules of Construction set forth in such Annex A shall apply to this Note. This Note amends and restates, but does not constitute payment of the indebtedness, evidenced by, the Second Amended and Restated Term Note, dated as of March 30, 2018, by the Company to the order of the Bank in the original principal amount of the Term Loan Amount.

1. *Borrowing Availability.* The Term Loan Amount was advanced on or before January 31, 2017 (the "**Term Loan Availability Expiration Date**"), and no additional advances shall be permitted under this Note.

2. *Purpose of Term Loan.* The proceeds of the Term Loan shall be used to refinance the existing indebtedness of the Company, and the Company shall use the Term Loan for no other purpose.

3. *Principal Payments*. As of the date hereof, the remaining principal balance of the Loan is $43,000,000. The remaining principal hereunder shall be due and payable in ten (10) equal consecutive installments of $3,500,000 each, beginning on February 20, 2019, and continuing on the twentieth (20th) day of each May, August, November, and February, thereafter until August 20, 2021 (the "**Maturity Date**"), at which time the entire remaining indebtedness evidenced by this Note, if not sooner paid in accordance with the terms of the Agreement and this Note, shall be due and payable.

4. *Interest Payments*. The Company hereby further promises to pay to the order of the Agent, at the times and on the dates provided in the Agreement, interest on the unpaid principal amount of the Loans from the date hereof until the Payment in Full of all of the Loans at the rate or rates comprising the Interest Rate Option(s) (defined below), which the Company shall select in accordance with the terms hereof to apply to each Loan, it being understood that, subject to the provisions of this Note and the Agreement, the Company may select different Interest Rate Options to apply to the Loans and may convert to or renew one or more Interest Rate Options with respect to any one or more of the Loans; provided that in the event the Company shall fail to timely select an Interest Rate Option to apply to any one or more Loans, such Loans shall bear interest at the LIBOR Index Option, and provided further that if an Event of Default or Default exists and is continuing, the Company may not request, convert to, or renew the Quoted Rate Option for any Loans, and the Agent may demand that all existing Loans bearing interest under the Quoted Rate Option shall be converted immediately to the LIBOR Index Option, and the Company shall be obligated to pay the Agent any indemnity, costs, and expenses arising in connection with such conversion.

5. *Interest Rate Options*. The Company shall have the right to select from the following interest rate options with respect to the Loans (each, an "**Interest Rate Option**"): (a) upon the selection of a LIBOR Index Option, the LIBOR Index Rate with a LIBOR Index Spread of 5.00% per annum (the "**LIBOR Index Spread**") or (b) upon the selection of a Quoted Rate Option, the Quoted Rate with such Quoted Rate to remain fixed for such period as is confirmed to the Company by the Agent.

6. *Loan Requests*. Subject to the terms and conditions of this Note and the Agreement, the Company may prior to the Term Loan Availability Expiration Date request the Bank to make the Term Loan and the Company may from time to time prior to the Maturity Date request the Agent to renew or convert the Interest Rate Option applicable to an existing Loan, by delivering, in accordance with the notice provisions of the Agreement, to the Agent not later than 12:00 noon (Denver time),

(a) the same Business Day as the proposed Business Day of borrowing with respect to a Loan to which the LIBOR Index Option will apply, and (b) the same Business Day as the proposed Business Day of borrowing with respect to a Loan to which the Quoted Rate Option will apply or the last day of the preceding Quoted Rate period with respect to the conversion to or renewal of the Quoted Rate Option for a Loan,

a duly completed request therefor substantially in the form of Exhibit A hereto (or a request made by CoLink or by telephone, but subject to the same deadline and containing substantially the same information, and in the case of a telephone request, immediately confirmed in writing substantially in the form of Exhibit A and delivered in accordance with the terms hereof) by physical delivery, facsimile, or electronic mail (each such request, whether telephonic or written and regardless how delivered, a "**Loan Request**"), it being understood that the Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify the amount of the proposed Loan, the Interest Rate Option to be applicable thereto, and, if applicable, the Quoted Rate period therefor (each Quoted Rate applicable to a Loan shall remain fixed for such period as is confirmed to the Company by the Agent), which amounts shall be in integral multiples of $500,000 for each Loan under the Quoted Rate Option. All notices and requests hereunder shall be given, and all borrowings and all conversions or renewals of Interest Rate Options shall occur, only on Business Days.

7. *Loans; Limitations.* Under the Quoted Rate Option, a Quoted Rate may be fixed on such balance and for such period, and shall be subject to such rules and requirements as may be established by the Agent in its sole discretion in each instance, provided that: (1) the minimum fixed period hereunder shall be 365 days; (2) at no time shall more than 10 Loans to which the Quoted Rate Option applies be outstanding at any one time; and (3) amounts may be fixed in increments of $500,000 or integral multiples thereof. The Agent's determination of the Quoted Rate shall be conclusive and binding upon the Company absent manifest error.

8. *Incomplete Loan Requests; Consequences*. If no Interest Rate Option is timely selected when a Loan is requested or with respect to the end of any applicable Quoted Rate period for a Loan or prior to a requested conversion to a Quoted Rate Option for a Loan previously subject to a different Interest Rate Option, the Company shall be deemed to have selected a LIBOR Index Option for such Loan. In no event shall the interest rate(s) applicable to principal outstanding hereunder exceed the maximum rate of interest allowed by applicable Law, as amended from time to time; any payment of interest or in the nature of interest in excess of such limitation shall be credited as a payment of principal unless the Company requests the return of such amount.

9. *Miscellaneous*.

(a) This Note is the Term Note referred to in, and is entitled to the benefits of, the Agreement and the other Loan Documents referred to therein. Reference is made to the Agreement for a description of the relative rights and obligations of the Company, the Bank and the Agent, including rights and obligations of prepayment, collateral securing payment hereof, Events of Default, and rights of acceleration of maturity upon the occurrence of an Event of Default.

(b) No delay on the part of the holder hereof in exercising any of its options, powers, or rights, or partial or single exercise thereof, shall constitute a waiver thereof. The options, powers, and rights specified herein of the holder hereof are in addition to those otherwise created or permitted by Law, the Agreement, and the other Loan Documents. There are no claims, set-offs, or deductions of any nature as of the date hereof that could be made or asserted by the Company against the Bank and / or the Agent or against any amount due or to become due under this Note; all such claims, set-offs, or deductions are hereby waived by the Company.

(c) Delivery of an executed signature page of this Note by telecopy or email (as a *pdf* attachment thereto or otherwise) shall be as effective as delivery of a manually executed counterpart of this Note, but shall in any event be promptly followed by delivery of the original manually executed signature page (provided, however, that the failure to do so shall in no event adversely affect the rights of the Bank and / or the Agent hereunder whatsoever). THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF and intending to be legally bound hereby, the Company has executed this Agreement as of the date hereof by its duly Authorized Officer.

PACIFIC ETHANOL PEKIN, LLC

By: _____
Name: Bryon T. McGregor
Title: Chief Financial Officer

AGREED AND ACCEPTED:

COBANK, ACB

By: _____
Name: Tom D. Houser
Title: Vice President

[Third Amended and Restated Term Note Signature Page]

EXHIBIT A

FORM OF TERM LOAN REQUEST

[_____], 20[__]

To: CoBank, ACB (the "**Agent**")
Attn: Loan Administration
Email: cobankloanaccounting@cobank.com

From: Pacific Ethanol Pekin, LLC (the "**Company**")

Re: Credit Agreement (as amended, restated, modified or supplemented from time to time, the "**Credit Agreement**"), dated as of December 15, 2016, between the Company, Compeer Financial, PCA, successor by merger to 1st Farm Credit Services, PCA, as Lender, and the Agent

Pursuant to Section 2.1 of the Credit Agreement, the Company hereby gives notice of its desire to receive a Term Loan in accordance with the terms set forth below (all capitalized terms used herein and not defined herein shall have the meaning given them in the Credit Agreement):

(a) The Term Loan requested pursuant to this Loan Request shall be made on [_____], 20[__].

(b) The aggregate principal amount of the Term Loan requested hereunder is [_____] Dollars ($[_____]).

(c) The Term Loan requested hereunder shall initially bear interest at the [*select one*]:

☐ LIBOR Index Option; or

☐ Quoted Rate Option.

PACIFIC ETHANOL PEKIN, LLC

By: _____
Name: _____
Title: _____

EXHIBIT B

Form of Second Amended and Restated Revolving Term Note

[*see attached*]

SECOND AMENDED AND RESTATED
REVOLVING TERM NOTE

$32,000,000 Greenwood Village, Colorado
March 20, 2019

FOR VALUE RECEIVED, PACIFIC ETHANOL PEKIN, LLC, a limited liability company organized and existing under the laws of Delaware (the "**Company**"), hereby promises to pay to the order of COMPEER FINANCIAL, PCA, successor by merger to 1st Farm Credit Services, PCA (which, together with its endorsees, successors, and assigns, is referred to herein as the "**Bank**"), at the office of CoBank, ACB (the "**Agent**") located at 6340 S. Fiddlers Green Circle, Greenwood Village, Colorado 80111 (or at such other place of payment designated by the holder hereof to the Company), the lesser of (i) the principal sum of THIRTY-TWO MILLION DOLLARS ($32,000,000) as reduced on the dates set forth in Section 1 below (as so reduced, the "**Revolving Term Commitment**"), or (ii) the aggregate unpaid principal balance of all loans made under the Revolving Term Commitment by the Bank to or for the benefit of the Company (each loan and any one or more portions of any loan being referred to herein as a "**Loan**") pursuant to that Credit Agreement, dated as of December 15, 2016, between the Company, the Bank and the Agent (as amended, restated, modified or supplemented from time to time, the "**Agreement**"), in lawful money of the United States of America in immediately available funds, payable together with interest thereon, as set forth below, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Company, and without set-off, counterclaim or other deduction of any nature at the earlier of February 1, 2022 (the "**Revolving Term Facility Expiration Date**"), or as otherwise set forth below or in the Agreement. Capitalized terms not otherwise defined in this Second Amended and Restated Revolving Term Note (as amended, restated, modified, supplemented, replaced, refinanced or renewed from time to time, this "**Note**") shall have the respective meanings ascribed to them by the Agreement, including Annex A thereto, and the Rules of Construction set forth in such Annex A shall apply to this Note. This Note amends and restates, but does not constitute payment of the indebtedness, evidenced by, the First Amended and Restated Revolving Term Note, dated as of August 7, 2017, by the Company to the order of the Bank.

1. Commitment Reductions. The Company shall have the right, in its sole discretion, to permanently reduce the Revolving Term Commitment by giving the Agent ten (10) days prior written notice; provided that no Event of Default or Default has occurred or would result therefrom. Any such permanent reduction by the Company shall be made in increments of $500,000.

2. Principal Payments and Prepayments. Payments and prepayments of principal shall be due and payable as set forth in the Agreement and this Note. The entire remaining indebtedness evidenced by this Note, if not sooner paid in accordance with the terms of the Agreement or this Note, shall be due and payable on the Revolving Term Facility Expiration Date. If at any time, the aggregate principal amount of Loans outstanding exceeds the Revolving Term Commitment at such time, the Company shall immediately notify the Agent and shall immediately prepay the principal amount of the outstanding Loans in an amount sufficient to eliminate such excess.

3. Purpose of Revolving Term Facility. The proceeds of the Revolving Term Facility shall be used to refinance the existing indebtedness of the Company and provide Working Capital for the Company, and the Company shall use the Loans for no other purpose.

4. Unused Commitment Fee. Accruing from the date hereof until the Revolving Term Facility Expiration Date, the Company agrees to pay to the Agent a nonrefundable commitment fee (the "**Unused Commitment Fee**") equal to 0.75% per annum (computed on the basis of a year of 360 days for the actual number of days elapsed) multiplied by the average daily positive difference between the amount of (i) the Revolving Term Commitment minus (ii) the aggregate principal amount of all Loans then outstanding. All Unused Commitment Fees shall accrue to the first day of each month and be payable monthly in arrears on the 20th day of each month hereafter and on the Revolving Term Facility Expiration Date.

5. *Interest Payments*. The Company hereby further promises to pay to the order of the Agent, at the times and on the dates provided in the Agreement, interest on the unpaid principal amount of the Loans from the date hereof until the Payment in Full of all of the Loans at the rate or rates comprising the Interest Rate Option(s) (defined below), which the Company shall select in accordance with the terms hereof to apply to each Loan, it being understood that, subject to the provisions of this Note and the Agreement, the Company may select different Interest Rate Options to apply to the Loans and may convert to or renew one or more Interest Rate Options with respect to any one or more of the Loans; provided that in the event the Company shall fail to timely select an Interest Rate Option to apply to any one or more Loans, such Loans shall bear interest at the LIBOR Index Option, and provided further that if an Event of Default or Default exists and is continuing, the Company may not request, convert to, or renew the Quoted Rate Option for any Loans, and the Agent may demand that all existing Loans bearing interest under the Quoted Rate Option shall be converted immediately to the LIBOR Index Option, and the Company shall be obligated to pay the Agent any indemnity, costs, and expenses arising in connection with such conversion.

6. *Interest Rate Options.* The Company shall have the right to select from the following interest rate options with respect to the Loans (each, an "**Interest Rate Option**"): (a) upon the selection of a LIBOR Index Option, the LIBOR Index Rate with a LIBOR Index Spread of 5.00% per annum (the "**LIBOR Index Spread**") or (b) upon the selection of a Quoted Rate Option, the Quoted Rate with such Quoted Rate to remain fixed for such period as is confirmed to the Company by the Agent.

7. *Loans; Limitations*. Under the Quoted Rate Option, a Quoted Rate may be fixed on such balance and for such period, and shall be subject to such rules and requirements as may be established by the Agent in its sole discretion in each instance, provided that: (1) the minimum fixed period hereunder shall be 365 days; (2) at no time shall more than 10 Loans to which the Quoted Rate Option applies be outstanding at any one time; and (3) amounts may be fixed in increments of $500,000 or integral multiples thereof. The Agent's determination of the Quoted Rate shall be conclusive and binding upon the Company absent manifest error.

8. *Loan Requests.* Subject to the terms and conditions of this Note and the Agreement, the Company may prior to the Revolving Term Facility Expiration Date request the Bank to make Loans and the Company may from time to time prior to the Revolving Term Facility Expiration Date request the Agent to renew or convert the Interest Rate Option applicable to an existing Loan, by delivering, in accordance with the notice provisions of the Agreement, to the Agent not later than 12:00 noon (Denver time),

> (a) the same Business Day as the proposed Business Day of borrowing with respect to a Loan to which the LIBOR Index Option will apply, and (b) the same Business Day as the proposed Business Day of borrowing with respect to a Loan to which the Quoted Rate Option will apply or the last day of the preceding Quoted Rate period with respect to the conversion to or renewal of the Quoted Rate Option for a Loan,

a duly completed request therefor substantially in the form of Exhibit A hereto (or a request made by CoLink or by telephone, but subject to the same deadline and containing substantially the same information, and in the case of a telephone request, immediately confirmed in writing substantially in the form of Exhibit A and delivered in accordance with the terms hereof) by physical delivery, facsimile, or electronic mail (each such request, whether telephonic or written and regardless how delivered, a "**Loan Request**"), it being understood that the Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify the amount of the proposed Loan, the Interest Rate Option to be applicable thereto, and, if applicable, the Quoted Rate period therefor (each Quoted Rate applicable to a Loan shall remain fixed for such period as is confirmed to the Company by the Agent), which amounts shall be in integral multiples of $500,000 for each Loan under the Quoted Rate Option. All notices and requests hereunder shall be given, and all borrowings and all conversions or renewals of Interest Rate Options shall occur, only on Business Days.

9. *Incomplete Loan Requests; Consequences.* If no Interest Rate Option is timely selected when a Loan is requested or with respect to the end of any applicable Quoted Rate period for a Loan or prior to a requested conversion to a Quoted Rate Option for a Loan previously subject to a different Interest Rate Option, the Company shall be deemed to have selected a LIBOR Index Option for such Loan. In no event shall the interest rate(s) applicable to principal outstanding hereunder exceed the maximum rate of interest allowed by applicable Law, as amended from time to time; any payment of interest or in the nature of interest in excess of such limitation shall be credited as a payment of principal unless the Company requests the return of such amount.

10. Miscellaneous.

(a) This Note is the Revolving Term Note referred to in, and is entitled to the benefits of, the Agreement and the other Loan Documents referred to therein. Reference is made to the Agreement for a description of the relative rights and obligations of the Company, the Bank and the Agent, including rights and obligations of prepayment, collateral securing payment hereof, Events of Default, and rights of acceleration of maturity upon the occurrence of an Event of Default.

(b) No delay on the part of the holder hereof in exercising any of its options, powers, or rights, or partial or single exercise thereof, shall constitute a waiver thereof. The options, powers, and rights specified herein of the holder hereof are in addition to those otherwise created or permitted by Law, the Agreement, and the other Loan Documents. There are no claims, set-offs, or deductions of any nature as of the date hereof that could be made or asserted by the Company against the Bank and / or the Agent or against any amount due or to become due under this Note; all such claims, set-offs, or deductions are hereby waived by the Company.

(c) Delivery of an executed signature page of this Note by telecopy or email (as a *pdf* attachment thereto or otherwise) shall be as effective as delivery of a manually executed counterpart of this Note, but shall in any event be promptly followed by delivery of the original manually executed signature page (provided, however, that the failure to do so shall in no event adversely affect the rights of the Bank and / or the Agent hereunder whatsoever). THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF and intending to be legally bound hereby, the Company has executed this Note as of the date hereof by its duly Authorized Officer.

PACIFIC ETHANOL PEKIN, LLC

By: _____
Name: Bryon T. McGregor
Title: Chief Financial Officer

AGREED AND ACCEPTED:

COBANK, ACB

By: _____
Name: Tom D. Houser
Title: Vice President

[Second Amended and Restated Revolving Term Note Signature Page]

EXHIBIT A

FORM OF REVOLVING TERM LOAN REQUEST

[_____], 20[__]

To: CoBank, ACB (the "**Agent**")
Attn: Loan Administration
Email: cobankloanaccounting@cobank.com

From: Pacific Ethanol Pekin, LLC (the "**Company**")

Re: Credit Agreement (as amended, restated, modified or supplemented from time to time, the "**Credit Agreement**"), dated as of December 15, 2016, between the Company, Compeer Financial, PCA, successor by merger to 1st Farm Credit Services, PCA, as Lender, and the Agent

Pursuant to Section 2.2(a) of the Credit Agreement, the Company hereby gives notice of its desire to receive a Revolving Term Loan in accordance with the terms set forth below (all capitalized terms used herein and not defined herein shall have the meaning given them in the Credit Agreement):

(a) The Revolving Term Loan requested pursuant to this Revolving Term Loan Request shall be made on [_____], 20[__].

(b) The aggregate principal amount of the Revolving Term Loan requested hereunder is [_____] Dollars ($[_____]).

(c) The Revolving Term Loan requested hereunder shall initially bear interest at the [*select one*]:

☐ LIBOR Index Option; or

☐ Quoted Rate Option.

PACIFIC ETHANOL PEKIN, LLC

By: _____
Name: _____
Title: _____

SCHEDULE C

To Security Agreement Dated December 15, 2016

Set forth below is a list of all of Debtor's deposit accounts.

#	Depository Bank	Account Holder	Account Number	Account Name
1.	Bank of America	Pacific Ethanol Pekin, LLC	325000575702	Pacific Ethanol Pekin, LLC

SCHEDULE D

To Security Agreement Dated December 15, 2016

Set forth below is a list of all of Debtor's commercial tort claims.

Description of Claim	Parties	Court where Case Filed; Case Number
Breach of contract, negligence, fraud, and related theories arising out of the purchase and sale of two natural gas boilers and the subsequent catastrophic failure of both boilers	Pacific Ethanol Pekin, LLC v. Indeck Power Equipment Co.	Circuit Court, Cook County, Case No. 15 L 6405

Exhibit 10.2

THIRD AMENDED AND RESTATED
TERM NOTE

$64,000,000 Greenwood Village, Colorado
March 20, 2019

FOR VALUE RECEIVED, PACIFIC ETHANOL PEKIN, LLC, a limited liability company organized and existing under the laws of Delaware (the "**Company**"), hereby promises to pay to the order of COMPEER FINANCIAL, PCA, successor by merger to 1st Farm Credit Services, PCA (which, together with its endorsees, successors, and assigns, is referred to herein as the "**Bank**"), at the office of CoBank, ACB (the "**Agent**"), located at 6340 S. Fiddlers Green Circle, Greenwood Village, Colorado 80111 (or at such other place of payment designated by the holder hereof to the Company), the principal sum of SIXTY-FOUR MILLION DOLLARS ($64,000,000) (such amount, the "**Term Loan Amount**") (each loan and any one or more portions of any loan being referred to herein as a "**Loan**"), and to pay interest, as set forth below, from the date hereof until Payment in Full on the principal amount remaining from time to time outstanding at the rates set forth below, in lawful money of the United States of America in immediately available funds, payable with interest thereon, as set forth below, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Company, and without set-off, counterclaim or other deduction of any nature. This Third Amended and Restated Term Note (as amended, restated, modified, supplemented, replaced, refinanced or renewed from time to time, this "**Note**") is given pursuant to that Credit Agreement, dated as of December 15, 2016, between the Company, the Bank and the Agent (as amended, restated, modified or supplemented from time to time, the "**Agreement**"). Capitalized terms not otherwise defined in this Note shall have the respective meanings ascribed to them by the Agreement, including Annex A thereto, and the Rules of Construction set forth in such Annex A shall apply to this Note. This Note amends and restates, but does not constitute payment of the indebtedness, evidenced by, the Second Amended and Restated Term Note, dated as of March 30, 2018, by the Company to the order of the Bank in the original principal amount of the Term Loan Amount.

1. *Borrowing Availability.* The Term Loan Amount was advanced on or before January 31, 2017 (the "**Term Loan Availability Expiration Date**"), and no additional advances shall be permitted under this Note.

2. *Purpose of Term Loan.* The proceeds of the Term Loan shall be used to refinance the existing indebtedness of the Company, and the Company shall use the Term Loan for no other purpose.

3. *Principal Payments*. As of the date hereof, the remaining principal balance of the Loan is $43,000,000. The remaining principal hereunder shall be due and payable in ten (10) equal consecutive installments of $3,500,000 each, beginning on February 20, 2019, and continuing on the twentieth (20th) day of each May, August, November, and February, thereafter until August 20, 2021 (the "**Maturity Date**"), at which time the entire remaining indebtedness evidenced by this Note, if not sooner paid in accordance with the terms of the Agreement and this Note, shall be due and payable.

4. *Interest Payments*. The Company hereby further promises to pay to the order of the Agent, at the times and on the dates provided in the Agreement, interest on the unpaid principal amount of the Loans from the date hereof until the Payment in Full of all of the Loans at the rate or rates comprising the Interest Rate Option(s) (defined below), which the Company shall select in accordance with the terms hereof to apply to each Loan, it being understood that, subject to the provisions of this Note and the Agreement, the Company may select different Interest Rate Options to apply to the Loans and may convert to or renew one or more Interest Rate Options with respect to any one or more of the Loans; provided that in the event the Company shall fail to timely select an Interest Rate Option to apply to any one or more Loans, such Loans shall bear interest at the LIBOR Index Option, and provided further that if an Event of Default or Default exists and is continuing, the Company may not request, convert to, or renew the Quoted Rate Option for any Loans, and the Agent may demand that all existing Loans bearing interest under the Quoted Rate Option shall be converted immediately to the LIBOR Index Option, and the Company shall be obligated to pay the Agent any indemnity, costs, and expenses arising in connection with such conversion.

5. *Interest Rate Options*. The Company shall have the right to select from the following interest rate options with respect to the Loans (each, an "**Interest Rate Option**"): (a) upon the selection of a LIBOR Index Option, the LIBOR Index Rate with a LIBOR Index Spread of 5.00% per annum (the "**LIBOR Index Spread**") or (b) upon the selection of a Quoted Rate Option, the Quoted Rate with such Quoted Rate to remain fixed for such period as is confirmed to the Company by the Agent.

6. *Loan Requests*. Subject to the terms and conditions of this Note and the Agreement, the Company may prior to the Term Loan Availability Expiration Date request the Bank to make the Term Loan and the Company may from time to time prior to the Maturity Date request the Agent to renew or convert the Interest Rate Option applicable to an existing Loan, by delivering, in accordance with the notice provisions of the Agreement, to the Agent not later than 12:00 noon (Denver time),

(a) the same Business Day as the proposed Business Day of borrowing with respect to a Loan to which the LIBOR Index Option will apply, and (b) the same Business Day as the proposed Business Day of borrowing with respect to a Loan to which the Quoted Rate Option will apply or the last day of the preceding Quoted Rate period with respect to the conversion to or renewal of the Quoted Rate Option for a Loan,

a duly completed request therefor substantially in the form of Exhibit A hereto (or a request made by CoLink or by telephone, but subject to the same deadline and containing substantially the same information, and in the case of a telephone request, immediately confirmed in writing substantially in the form of Exhibit A and delivered in accordance with the terms hereof) by physical delivery, facsimile, or electronic mail (each such request, whether telephonic or written and regardless how delivered, a "**Loan Request**"), it being understood that the Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify the amount of the proposed Loan, the Interest Rate Option to be applicable thereto, and, if applicable, the Quoted Rate period therefor (each Quoted Rate applicable to a Loan shall remain fixed for such period as is confirmed to the Company by the Agent), which amounts shall be in integral multiples of $500,000 for each Loan under the Quoted Rate Option. All notices and requests hereunder shall be given, and all borrowings and all conversions or renewals of Interest Rate Options shall occur, only on Business Days.

7. *Loans; Limitations.* Under the Quoted Rate Option, a Quoted Rate may be fixed on such balance and for such period, and shall be subject to such rules and requirements as may be established by the Agent in its sole discretion in each instance, provided that: (1) the minimum fixed period hereunder shall be 365 days; (2) at no time shall more than 10 Loans to which the Quoted Rate Option applies be outstanding at any one time; and (3) amounts may be fixed in increments of $500,000 or integral multiples thereof. The Agent's determination of the Quoted Rate shall be conclusive and binding upon the Company absent manifest error.

8. *Incomplete Loan Requests; Consequences*. If no Interest Rate Option is timely selected when a Loan is requested or with respect to the end of any applicable Quoted Rate period for a Loan or prior to a requested conversion to a Quoted Rate Option for a Loan previously subject to a different Interest Rate Option, the Company shall be deemed to have selected a LIBOR Index Option for such Loan. In no event shall the interest rate(s) applicable to principal outstanding hereunder exceed the maximum rate of interest allowed by applicable Law, as amended from time to time; any payment of interest or in the nature of interest in excess of such limitation shall be credited as a payment of principal unless the Company requests the return of such amount.

9. *Miscellaneous*.

(a) This Note is the Term Note referred to in, and is entitled to the benefits of, the Agreement and the other Loan Documents referred to therein. Reference is made to the Agreement for a description of the relative rights and obligations of the Company, the Bank and the Agent, including rights and obligations of prepayment, collateral securing payment hereof, Events of Default, and rights of acceleration of maturity upon the occurrence of an Event of Default.

(b) No delay on the part of the holder hereof in exercising any of its options, powers, or rights, or partial or single exercise thereof, shall constitute a waiver thereof. The options, powers, and rights specified herein of the holder hereof are in addition to those otherwise created or permitted by Law, the Agreement, and the other Loan Documents. There are no claims, set-offs, or deductions of any nature as of the date hereof that could be made or asserted by the Company against the Bank and / or the Agent or against any amount due or to become due under this Note; all such claims, set-offs, or deductions are hereby waived by the Company.

(c) Delivery of an executed signature page of this Note by telecopy or email (as a *pdf* attachment thereto or otherwise) shall be as effective as delivery of a manually executed counterpart of this Note, but shall in any event be promptly followed by delivery of the original manually executed signature page (provided, however, that the failure to do so shall in no event adversely affect the rights of the Bank and / or the Agent hereunder whatsoever). THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF and intending to be legally bound hereby, the Company has executed this Note as of the date hereof by its duly Authorized Officer.

PACIFIC ETHANOL PEKIN, LLC

By: /s/ Bryon T. McGregor
Name: Bryon T. McGregor
Title: Chief Financial Officer

AGREED AND ACCEPTED:

COBANK, ACB

By: /s/ Tom D. Houser
Name: Tom D. Houser
Title: Vice President

[Third Amended and Restated Term Note Signature Page]

EXHIBIT A

FORM OF TERM LOAN REQUEST

[_____], 20[__]

To: CoBank, ACB (the "**Agent**")
Attn: Loan Administration
Email: cobankloanaccounting@cobank.com

From: Pacific Ethanol Pekin, LLC (the "**Company**")

Re: Credit Agreement (as amended, restated, modified or supplemented from time to time, the "**Credit Agreement**"), dated as of December 15, 2016, between the Company, Compeer Financial, PCA, successor by merger to 1st Farm Credit Services, PCA, as Lender, and the Agent

Pursuant to Section 2.1 of the Credit Agreement, the Company hereby gives notice of its desire to receive a Term Loan in accordance with the terms set forth below (all capitalized terms used herein and not defined herein shall have the meaning given them in the Credit Agreement):

(a) The Term Loan requested pursuant to this Loan Request shall be made on [_____], 20[__].

(b) The aggregate principal amount of the Term Loan requested hereunder is [_____] Dollars ($[_____]).

(c) The Term Loan requested hereunder shall initially bear interest at the [*select one*]:

☐ LIBOR Index Option; or

☐ Quoted Rate Option.

PACIFIC ETHANOL PEKIN, LLC

By: _____
Name: _____
Title: _____

Exhibit 10.3

SECOND AMENDED AND RESTATED
REVOLVING TERM NOTE

$32,000,000 Greenwood Village, Colorado
March 20, 2019

FOR VALUE RECEIVED, PACIFIC ETHANOL PEKIN, LLC, a limited liability company organized and existing under the laws of Delaware (the "**Company**"), hereby promises to pay to the order of COMPEER FINANCIAL, PCA, successor by merger to 1st Farm Credit Services, PCA (which, together with its endorsees, successors, and assigns, is referred to herein as the "**Bank**"), at the office of CoBank, ACB (the "**Agent**") located at 6340 S. Fiddlers Green Circle, Greenwood Village, Colorado 80111 (or at such other place of payment designated by the holder hereof to the Company), the lesser of (i) the principal sum of THIRTY-TWO MILLION DOLLARS ($32,000,000) as reduced on the dates set forth in Section 1 below (as so reduced, the "**Revolving Term Commitment**"), or (ii) the aggregate unpaid principal balance of all loans made under the Revolving Term Commitment by the Bank to or for the benefit of the Company (each loan and any one or more portions of any loan being referred to herein as a "**Loan**") pursuant to that Credit Agreement, dated as of December 15, 2016, between the Company, the Bank and the Agent (as amended, restated, modified or supplemented from time to time, the "**Agreement**"), in lawful money of the United States of America in immediately available funds, payable together with interest thereon, as set forth below, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Company, and without set-off, counterclaim or other deduction of any nature at the earlier of February 1, 2022 (the "**Revolving Term Facility Expiration Date**"), or as otherwise set forth below or in the Agreement. Capitalized terms not otherwise defined in this Second Amended and Restated Revolving Term Note (as amended, restated, modified, supplemented, replaced, refinanced or renewed from time to time, this "**Note**") shall have the respective meanings ascribed to them by the Agreement, including Annex A thereto, and the Rules of Construction set forth in such Annex A shall apply to this Note. This Note amends and restates, but does not constitute payment of the indebtedness, evidenced by, the First Amended and Restated Revolving Term Note, dated as of August 7, 2017, by the Company to the order of the Bank.

1. *Commitment Reductions*. The Company shall have the right, in its sole discretion, to permanently reduce the Revolving Term Commitment by giving the Agent ten (10) days prior written notice; provided that no Event of Default or Default has occurred or would result therefrom. Any such permanent reduction by the Company shall be made in increments of $500,000.

2. *Principal Payments and Prepayments*. Payments and prepayments of principal shall be due and payable as set forth in the Agreement and this Note. The entire remaining indebtedness evidenced by this Note, if not sooner paid in accordance with the terms of the Agreement or this Note, shall be due and payable on the Revolving Term Facility Expiration Date. If at any time, the aggregate principal amount of Loans outstanding exceeds the Revolving Term Commitment at such time, the Company shall immediately notify the Agent and shall immediately prepay the principal amount of the outstanding Loans in an amount sufficient to eliminate such excess.

3. *Purpose of Revolving Term Facility.* The proceeds of the Revolving Term Facility shall be used to refinance the existing indebtedness of the Company and provide Working Capital for the Company, and the Company shall use the Loans for no other purpose.

4. *Unused Commitment Fee.* Accruing from the date hereof until the Revolving Term Facility Expiration Date, the Company agrees to pay to the Agent a nonrefundable commitment fee (the "**Unused Commitment Fee**") equal to 0.75% per annum (computed on the basis of a year of 360 days for the actual number of days elapsed) multiplied by the average daily positive difference between the amount of (i) the Revolving Term Commitment minus (ii) the aggregate principal amount of all Loans then outstanding. All Unused Commitment Fees shall accrue to the first day of each month and be payable monthly in arrears on the 20th day of each month hereafter and on the Revolving Term Facility Expiration Date.

5. *Interest Payments*. The Company hereby further promises to pay to the order of the Agent, at the times and on the dates provided in the Agreement, interest on the unpaid principal amount of the Loans from the date hereof until the Payment in Full of all of the Loans at the rate or rates comprising the Interest Rate Option(s) (defined below), which the Company shall select in accordance with the terms hereof to apply to each Loan, it being understood that, subject to the provisions of this Note and the Agreement, the Company may select different Interest Rate Options to apply to the Loans and may convert to or renew one or more Interest Rate Options with respect to any one or more of the Loans; provided that in the event the Company shall fail to timely select an Interest Rate Option to apply to any one or more Loans, such Loans shall bear interest at the LIBOR Index Option, and provided further that if an Event of Default or Default exists and is continuing, the Company may not request, convert to, or renew the Quoted Rate Option for any Loans, and the Agent may demand that all existing Loans bearing interest under the Quoted Rate Option shall be converted immediately to the LIBOR Index Option, and the Company shall be obligated to pay the Agent any indemnity, costs, and expenses arising in connection with such conversion.

6. *Interest Rate Options.* The Company shall have the right to select from the following interest rate options with respect to the Loans (each, an "**Interest Rate Option**"): (a) upon the selection of a LIBOR Index Option, the LIBOR Index Rate with a LIBOR Index Spread of 5.00% per annum (the "**LIBOR Index Spread**") or (b) upon the selection of a Quoted Rate Option, the Quoted Rate with such Quoted Rate to remain fixed for such period as is confirmed to the Company by the Agent.

7. *Loans; Limitations*. Under the Quoted Rate Option, a Quoted Rate may be fixed on such balance and for such period, and shall be subject to such rules and requirements as may be established by the Agent in its sole discretion in each instance, provided that: (1) the minimum fixed period hereunder shall be 365 days; (2) at no time shall more than 10 Loans to which the Quoted Rate Option applies be outstanding at any one time; and (3) amounts may be fixed in increments of $500,000 or integral multiples thereof. The Agent's determination of the Quoted Rate shall be conclusive and binding upon the Company absent manifest error.

8. *Loan Requests.* Subject to the terms and conditions of this Note and the Agreement, the Company may prior to the Revolving Term Facility Expiration Date request the Bank to make Loans and the Company may from time to time prior to the Revolving Term Facility Expiration Date request the Agent to renew or convert the Interest Rate Option applicable to an existing Loan, by delivering, in accordance with the notice provisions of the Agreement, to the Agent not later than 12:00 noon (Denver time),

> (a) the same Business Day as the proposed Business Day of borrowing with respect to a Loan to which the LIBOR Index Option will apply, and (b) the same Business Day as the proposed Business Day of borrowing with respect to a Loan to which the Quoted Rate Option will apply or the last day of the preceding Quoted Rate period with respect to the conversion to or renewal of the Quoted Rate Option for a Loan,

a duly completed request therefor substantially in the form of Exhibit A hereto (or a request made by CoLink or by telephone, but subject to the same deadline and containing substantially the same information, and in the case of a telephone request, immediately confirmed in writing substantially in the form of Exhibit A and delivered in accordance with the terms hereof) by physical delivery, facsimile, or electronic mail (each such request, whether telephonic or written and regardless how delivered, a "**Loan Request**"), it being understood that the Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify the amount of the proposed Loan, the Interest Rate Option to be applicable thereto, and, if applicable, the Quoted Rate period therefor (each Quoted Rate applicable to a Loan shall remain fixed for such period as is confirmed to the Company by the Agent), which amounts shall be in integral multiples of $500,000 for each Loan under the Quoted Rate Option. All notices and requests hereunder shall be given, and all borrowings and all conversions or renewals of Interest Rate Options shall occur, only on Business Days.

9. *Incomplete Loan Requests; Consequences.* If no Interest Rate Option is timely selected when a Loan is requested or with respect to the end of any applicable Quoted Rate period for a Loan or prior to a requested conversion to a Quoted Rate Option for a Loan previously subject to a different Interest Rate Option, the Company shall be deemed to have selected a LIBOR Index Option for such Loan. In no event shall the interest rate(s) applicable to principal outstanding hereunder exceed the maximum rate of interest allowed by applicable Law, as amended from time to time; any payment of interest or in the nature of interest in excess of such limitation shall be credited as a payment of principal unless the Company requests the return of such amount.

10. Miscellaneous.

(a) This Note is the Revolving Term Note referred to in, and is entitled to the benefits of, the Agreement and the other Loan Documents referred to therein. Reference is made to the Agreement for a description of the relative rights and obligations of the Company, the Bank and the Agent, including rights and obligations of prepayment, collateral securing payment hereof, Events of Default, and rights of acceleration of maturity upon the occurrence of an Event of Default.

(b) No delay on the part of the holder hereof in exercising any of its options, powers, or rights, or partial or single exercise thereof, shall constitute a waiver thereof. The options, powers, and rights specified herein of the holder hereof are in addition to those otherwise created or permitted by Law, the Agreement, and the other Loan Documents. There are no claims, set-offs, or deductions of any nature as of the date hereof that could be made or asserted by the Company against the Bank and / or the Agent or against any amount due or to become due under this Note; all such claims, set-offs, or deductions are hereby waived by the Company.

(c) Delivery of an executed signature page of this Note by telecopy or email (as a *pdf* attachment thereto or otherwise) shall be as effective as delivery of a manually executed counterpart of this Note, but shall in any event be promptly followed by delivery of the original manually executed signature page (provided, however, that the failure to do so shall in no event adversely affect the rights of the Bank and / or the Agent hereunder whatsoever). THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF and intending to be legally bound hereby, the Company has executed this Note as of the date hereof by its duly Authorized Officer.

PACIFIC ETHANOL PEKIN, LLC

By: /s/ Bryon T. McGregor
Name: Bryon T. McGregor
Title: Chief Financial Officer

AGREED AND ACCEPTED:

COBANK, ACB

By: /s/ Tom D. Houser
Name: Tom D. Houser
Title: Vice President

[Second Amended and Restated Revolving Term Note Signature Page]

EXHIBIT A

FORM OF REVOLVING TERM LOAN REQUEST

[_____], 20[__]

To: CoBank, ACB (the "**Agent**")
Attn: Loan Administration
Email: cobankloanaccounting@cobank.com

From: Pacific Ethanol Pekin, LLC (the "**Company**")

Re: Credit Agreement (as amended, restated, modified or supplemented from time to time, the "**Credit Agreement**"), dated as of December 15, 2016, between the Company, Compeer Financial, PCA, successor by merger to 1st Farm Credit Services, PCA, as Lender, and the Agent

Pursuant to Section 2.2(a) of the Credit Agreement, the Company hereby gives notice of its desire to receive a Revolving Term Loan in accordance with the terms set forth below (all capitalized terms used herein and not defined herein shall have the meaning given them in the Credit Agreement):

(a) The Revolving Term Loan requested pursuant to this Revolving Term Loan Request shall be made on [_____], 20[__].

(b) The aggregate principal amount of the Revolving Term Loan requested hereunder is [_____] Dollars ($[_____]).

(c) The Revolving Term Loan requested hereunder shall initially bear interest at the [*select one*]:

☐ LIBOR Index Option; or

☐ Quoted Rate Option.

PACIFIC ETHANOL PEKIN, LLC

By: _____
Name: _____
Title: _____

Exhibit 10.4

SECURITY AGREEMENT

This Security Agreement, dated as of March 20, 2019 (as amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "**Agreement**"), made by and between PACIFIC ETHANOL CENTRAL, LLC, a limited liability company organized under the laws of Delaware ("**Grantor**"), and COBANK, ACB, a federally-chartered instrumentality of the United States, as Agent for the benefit of the Lenders under the Credit Agreement (together with its successors and assigns, "**Secured Party**").

RECITALS:

WHEREAS, COMPEER FINANCIAL, PCA, a federally-chartered instrumentality of the United States, successor by merger to 1st Farm Credit Services, PCA (together with its successors and assigns, "**Lender**" and together with the Secured Party, the "**Lender Parties**"), Secured Party and PACIFIC ETHANOL PEKIN, LLC, a limited liability company organized under the laws of Delaware ("**Borrower**") are parties to that certain Credit Agreement dated as of December 15, 2016, as amended by that certain Amendment No. 1 to Credit Agreement dated as of March 1, 2017, as further amended by that certain Amendment No. 2 to Credit Agreement dated as of August 7, 2017, that certain Amendment No. 3 to Credit Agreement dated as of March 30, 2018, and as further amended by that certain Amendment No. 4 to Credit Agreement (the "**Amendment**") of even date herewith (as may be amended, supplemented or restated from time to time, collectively the "**Credit Agreement**"), pursuant to which the Lender Parties may make advances and extend other financial accommodations to Borrower.

WHEREAS, Grantor executed and delivered a Guaranty and Contribution Agreement in favor of Lender and Secured Party of even date herewith (the "**Guaranty**").

WHEREAS, as a condition to Lender and Secured Party entering into the Amendment, Grantor shall enter into this Agreement.

NOW, THEREFORE, for Ten Dollars ($10.00) in hand paid to Grantor and in consideration of the premises and mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to secure the timely payment and performance of the Secured Obligations (as hereinafter defined), the parties hereto agree as follows:

1. **Definitions**.

(a) Each capitalized term used herein, unless otherwise defined herein, shall have the meaning ascribed to such term in the Credit Agreement. As used herein, the following terms shall have the following meanings:

"**Collateral**" has the meaning set forth in Section 2.

"**First Priority**" means, with respect to any Lien purported to be created in any Collateral pursuant to this Agreement, such Lien is the most senior Lien to which such Collateral is subject (subject only to Permitted Liens).

"**Proceeds**" means "proceeds" as such term is defined in section 9-102 of the UCC and, in any event, shall include all dividends or other income from the Collateral, collections thereon or distributions with respect thereto.

"**Secured Obligations**" has the meaning set forth in Section 3.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of Colorado or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code as in effect from time to time in such state.

(b) **Deposit Accounts**. All of the Grantor's deposit accounts, including but not limited to the Pledged Account (as defined in the Guaranty) are listed on **Schedule 2** attached hereto and made a part hereof. Each of the deposit accounts listed on **Schedule 2** shall be deemed to be a "deposit account" referenced in the definition of "Collateral" contained in Section 2 of this Agreement and shall be subject in all respects to the security interest granted by the Debtor to the Secured Party pursuant to this Agreement. Upon establishing a deposit account that is not listed on **Schedule 2** (to the extent that establishing such deposit account is otherwise permitted hereunder and under any other Loan Document), the Grantor shall promptly give notice to the Secured Party that such deposit account has been established and shall immediately execute or otherwise authenticate a supplement to **Schedule 2** that includes such deposit account and take all action necessary to give the Secured Party "control" (as such term is defined in the UCC) over such deposit account, including causing the applicable bank or financial institution to enter into a control agreement (in form and substance acceptable to the Secured Party) with the Secured Party for such deposit account.

2. **Grant of Security Interest**. Grantor hereby grants to Secured Party a continuing security interest in all of its right, title and interest in and to the following, wherever located, whether now existing or hereafter arising or acquired (collectively, the "**Collateral**"):

(a) all accounts (including health-care-insurance receivables), goods (including inventory and equipment), goods (including inventory and equipment) currently or hereafter held on consignment, documents (including, if applicable, electronic documents), fixtures, instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property (but exclusive any in equity interest in Illinois Corn Processing, LLC, an Illinois limited liability company and wholly owned subsidiary of Grantor), commercial tort claims described on **Schedule 1** hereof as supplemented by any written notification given by Grantor to Secured Party pursuant to Section 4(e), general intangibles (including all payment intangibles), money, deposit accounts (including each of the deposit accounts listed on **Schedule 2** attached hereto), and any other contract rights or rights to the payment of money; and

(b) all Proceeds and products of each of the foregoing, all books and records relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to Grantor from time to time with respect to any of the foregoing.

3. **Secured Obligations**. The Collateral secures the payment and performance of (a) all indebtedness and obligations of Grantor under the Guaranty and (b) and all indebtedness and obligations of Grantor now or hereafter existing under this Agreement (collectively, "**Secured Obligations**").

4. **Perfection of Security Interest and Further Assurances**.

(a) Grantor shall, from time to time, as may be required by Secured Party with respect to all Collateral, promptly take all actions as may be reasonably requested by Secured Party to perfect the Lien of Secured Party in the Collateral, including, with respect to all Collateral over which control may be obtained within the meaning of sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC, section 201 of the federal Electronic Signatures in Global and National Commerce Act and, as the case may be, section 16 of the Uniform Electronic Transactions Act, as applicable, Grantor shall promptly take all actions as may be reasonably requested from time to time by Secured Party so that control of such Collateral is obtained and at all times held by Secured Party. All of the foregoing shall be at Grantor's sole cost and expense.

(b) Grantor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Lien granted by Grantor hereunder, without Grantor's signature where permitted by law, including the filing of a financing statement describing the Collateral as all assets now owned or hereafter acquired by Grantor, or words of similar effect. Grantor agrees to provide all information required by Secured Party pursuant to this Section promptly to Secured Party upon request.

(c) Grantor hereby further authorizes Secured Party to file with the United States Patent and Trademark Office and the United States Copyright Office (and any successor office and any similar office in any state of the United States or in any other country) this Agreement and other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Lien granted by Grantor hereunder, without Grantor's signature where permitted by law.

(d) If Grantor shall at any time hold or acquire any certificated securities, promissory notes, tangible chattel paper, negotiable documents or warehouse receipts relating to the Collateral, Grantor shall promptly indorse, assign and deliver the same to Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as Secured Party may from time to time specify.

(e) If Grantor shall at any time hold or acquire a commercial tort claim, Grantor shall (a) promptly notify Secured Party in a writing signed by Grantor of the particulars thereof and grant to Secured Party in such writing a Lien therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to Secured Party and (b) deliver to Secured Party an updated **Schedule 1**.

(f) If any Collateral is at any time in the possession of a bailee, Grantor shall promptly notify Secured Party thereof and, at Secured Party's request and option, shall promptly obtain an acknowledgment from the bailee, in form and substance satisfactory to Secured Party, that the bailee holds such Collateral for the benefit of Secured Party and the bailee agrees to comply, without Grantor's further consent, at any time with instructions of Secured Party as to such Collateral.

(g) If Grantor is at any time a beneficiary under a letter of credit, Grantor will promptly notify Secured Party and, at Secured Party's request, Grantor will, pursuant to an agreement in form and substance reasonably acceptable to Secured Party, either (a) arrange for the issuer and any confirmer or other nominated person of such letter of credit to consent to an assignment to Secured Party of the proceeds of the letter of credit or (b) arrange for Secured Party to become the transferee beneficiary of the letter of credit.

(h) Grantor agrees that at any time and from time to time, at Grantor's expense, Grantor will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that Secured Party may reasonably request, in order to perfect and protect any Lien granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

5. **Representations and Warranties**. Grantor represents and warrants as follows:

(a) (i) Grantor's exact legal name is that indicated on the signature page hereof and (ii) Grantor is an organization of the type, and is organized in the jurisdiction, set forth in the preamble hereof.

(b) The Collateral consisting of securities have been duly authorized and validly issued, and are fully paid and non-assessable and subject to no options to purchase or similar rights. Grantor holds no commercial tort claims except as indicated on **Schedule 1**. None of the Collateral constitutes, or is the proceeds of, "farm products" as defined in section 9-102(a)(34) of the UCC. None of the account debtors or other persons obligated on any of the Collateral is a governmental authority covered by the Federal Assignment of Claims Act or like federal, state or local statute or rule in respect of such Collateral. Grantor has at all times operated its business in compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended, and with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances.

(c) At the time the Collateral becomes subject to the Lien created by this Agreement, Grantor will be the sole, direct, legal and beneficial owner thereof, free and clear of any Lien, claim, option or right of others except for the Lien created by this Agreement and other Permitted Liens.

(d) The grant of security interest in the Collateral pursuant to this Agreement creates a valid and perfected First Priority Lien in the Collateral, securing the payment and performance when due of the Secured Obligations.

(e) Grantor has full power, authority and legal right to grant a security interest in the Collateral pursuant to this Agreement.

(f) This Agreement has been duly authorized, executed and delivered by Grantor and constitutes a legal, valid and binding obligation of Grantor enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to equitable principles (regardless of whether enforcement is sought in equity or at law).

(g) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the borrowing of the Loans and the grant of the security interest by Grantor of the Collateral pursuant to this Agreement or for the execution and delivery of this Agreement by Grantor or the performance by Grantor of its obligations thereunder, other than filings to perfect the security interest.

(h) The execution and delivery of this Agreement by Grantor and the performance by Grantor of its obligations hereunder, will not violate any provision of any applicable law or regulation or any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to Grantor or any of its property, or the organizational or governing documents of Grantor or any agreement or instrument to which Grantor is party or by which it or its property is bound.

(i) Grantor has taken all action required on its part for control (as defined in sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC, section 201 of the federal Electronic Signatures in Global and National Commerce Act and, as the case may be, section 16 of the Uniform Electronic Transactions Act, as applicable) to have been obtained by Secured Party over all Collateral with respect to which such control may be obtained pursuant to the UCC. No person other than Secured Party has control or possession of all or any part of the Collateral.

6. **Accounts Receivable**.

(a) Secured Party may at any time and from time to time send or require Grantor to send requests for verification of Accounts or notices of assignment to account debtors and other obligors. Secured Party may also at any time and from time to time telephone account debtors and other obligors to verify accounts.

(b) Secured Party may establish a collateral account for the deposit of checks, drafts and cash payments made by Grantor's account debtors. If a collateral account is so established, Grantor shall promptly deliver to Secured Party, for deposit into said collateral account, all payments on Accounts and chattel paper received by it. All such payments shall be delivered to Secured Party in the form received (except for Grantor's endorsement where necessary). Until so deposited, all payments on Accounts and chattel paper received by Grantor shall be held in trust by Grantor for and as the property of Secured Party and shall not be commingled with any funds or property of Grantor. All deposits in said collateral account shall constitute proceeds of Collateral and shall not constitute payment of any Secured Obligation. Unless otherwise agreed in writing, Grantor shall have no right to withdraw amounts on deposit in any collateral account.

(c) Secured Party may, by notice to Grantor, require Grantor to direct each of its account debtors to make payment directly to a special lockbox to be under the control of Secured Party. Grantor hereby authorizes and directs Secured Party to deposit all checks, drafts and cash payments received in said lockbox into the collateral account established as set forth above.

(d) Secured Party may notify any account debtor, or any other Person obligated to pay any amount due, that such chattel paper, general intangible, Account, or other right to payment has been assigned or transferred to Secured Party for security and shall be paid directly to Secured Party. At any time after Secured Party or Grantor gives such notice to an account debtor or other obligor, Secured Party may (but need not), in its own name or in Grantor's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any such chattel paper, Account, or other right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any such account debtor or other obligor.

7. **Voting and Distributions**.

(a) Secured Party agrees that unless an Event of Default shall have occurred and be continuing, Grantor may, to the extent Grantor has such right as a holder of the Collateral consisting of securities, other equity interests or indebtedness owed by any obligor, vote and give consents, ratifications and waivers with respect thereto, except to the extent that, in Secured Party's reasonable judgment, any such vote, consent, ratification or waiver would detract from the value thereof as Collateral or which would be inconsistent with or result in any violation of any provision of this Agreement or any other Loan Document, and from time to time, upon request from Grantor, Secured Party shall deliver to Grantor suitable proxies so that Grantor may cast such votes, consents, ratifications and waivers.

(b) Secured Party agrees that Grantor may, unless an Event of Default shall have occurred and be continuing, receive and retain all dividends and other distributions with respect to the Collateral consisting of securities, other equity interests or indebtedness owed by any obligor.

8. **Covenants**. Grantor covenants as follows:

(a) Grantor will not, without providing at least 30 days' prior written notice to Secured Party, change its legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of its chief executive office or its principal place of business or its organizational identification number. Grantor will, prior to any change described in the preceding sentence, take all actions reasonably requested by Secured Party to maintain the perfection and priority of Secured Party's Lien in the Collateral.

(b) Grantor will keep the Collateral, to the extent not delivered to Secured Party pursuant to Section 4, at those locations listed on **Schedule 3** attached hereto and Grantor will not remove the Collateral from such locations without providing at least 10 days' prior written notice to Secured Party except for (a) vehicles and equipment out for repair or in service in the field, and (b) inventory in transit in the ordinary course of business.

(c) Grantor will, at its own cost and expense, defend title to the Collateral and the First Priority Lien of Secured Party therein against the claim of any person claiming against or through Grantor and shall maintain and preserve such perfected First Priority Lien for so long as this Agreement shall remain in effect.

(d) Grantor will not grant, create, permit or suffer to exist any Lien, option, right of first offer, encumbrance or other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein except for Permitted Liens.

(e) Grantor will not sell, lease, or otherwise dispose of any of the Collateral except for in the ordinary course of business or as otherwise permitted by the Guaranty.

(f) Grantor will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. Grantor will permit Secured Party, or its designee, to inspect the Collateral at any reasonable time, wherever located.

(g) Grantor will pay promptly when due all taxes, assessments, governmental charges, and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement.

(h) Grantor will continue to operate its business in compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended, and with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances.

9 . **Secured Party Appointed Attorney-in-Fact**. Grantor hereby appoints Secured Party as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, from time to time during the continuance of an Event of Default in Secured Party's discretion to take any action and to execute any instrument which Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement (but Secured Party shall not be obligated to and shall have no liability to Grantor or any third party for failure to do so or take action). This appointment, being coupled with an interest, shall be irrevocable. Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof.

10. **Secured Party May Perform**. If Grantor fails to perform any obligation contained in this Agreement, Secured Party may itself perform, or cause performance of, such obligation, and the expenses of Secured Party incurred in connection therewith shall be payable by Grantor; *provided that* Secured Party shall not be required to perform or discharge any obligation of Grantor.

11. **Reasonable Care**. Secured Party shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which Secured Party accords its own property, it being understood that Secured Party shall not have any responsibility for (a) ascertaining or taking action with respect to any claims, the nature or sufficiency of any payment or performance by any party under or pursuant to any agreement relating to the Collateral or other matters relative to any Collateral, whether or not Secured Party has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Nothing set forth in this Agreement, nor the exercise by Secured Party of any of the rights and remedies hereunder, shall relieve Grantor from the performance of any obligation on Grantor's part to be performed or observed in respect of any of the Collateral.

12. **Remedies Upon Default**. If any Event of Default shall have occurred and be continuing:

(a) Secured Party, without any other notice to or demand upon Grantor, may assert all rights and remedies of a secured party under the UCC or other applicable law, including the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral. If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to Grantor at its notice address as provided in Section 19 hereof ten days prior to the date of such disposition shall constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, Secured Party may sell such Collateral on such terms and to such purchaser(s) as Secured Party in its absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property. At any sale of the Collateral, if permitted by applicable law, Secured Party may be the purchaser, licensee, assignee or recipient of the Collateral or any part thereof and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by applicable law, Grantor waives all claims, damages and demands it may acquire against Secured Party arising out of the exercise by it of any rights hereunder. Grantor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Secured Obligations or otherwise. At any such sale, unless prohibited by applicable law, Secured Party or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither Secured Party nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto.

(b) All rights of Grantor to (i) exercise the voting and other consensual rights it would otherwise be entitled to exercise pursuant to Section 7(a) and (ii) receive the dividends and other distributions which it would otherwise be entitled to receive and retain pursuant to Section 7(b), shall immediately cease, and all such rights shall thereupon become vested in Secured Party, which shall have the sole right to exercise such voting and other consensual rights and receive and hold such dividends and other distributions as Collateral.

(c) Any cash held by Secured Party as Collateral and all cash Proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied in whole or in part by Secured Party to the payment of expenses incurred by Secured Party in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds shall be applied or set off against all or any part of the Secured Obligations in such order as Secured Party shall elect. Any surplus of such cash or cash Proceeds held by Secured Party and remaining after payment in full of all the Secured Obligations shall be paid over to Grantor or to whomsoever may be lawfully entitled to receive such surplus. Grantor shall remain liable for any deficiency if such cash and the cash Proceeds of any sale or other realization of the Collateral are insufficient to pay the Secured Obligations and the fees and other charges of any attorneys employed by Secured Party to collect such deficiency.

(d) If Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to this Section, Grantor agrees that, upon request of Secured Party, Grantor will, at its own expense, do or cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

13. **Standards for Exercising Rights and Remedies**. To the extent that applicable law imposes duties on Secured Party to exercise remedies in a commercially reasonable manner, Grantor acknowledges and agrees that it is not commercially unreasonable for Secured Party (a) to fail to incur expenses reasonably deemed significant by Secured Party to prepare Collateral for disposition or otherwise to fail to complete raw material or work in process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to fail to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other persons, whether or not in the same business as the Company, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (h) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to decline to provide credit to any potential purchaser of the Collateral in connection with Secured Party's disposition of the Collateral, (k) to disclaim disposition warranties, (l) to purchase insurance or credit enhancements to insure Secured Party against risks of loss, collection or disposition of Collateral or to provide to Secured Party a guaranteed return from the collection or disposition of Collateral, or (m) to the extent deemed appropriate by Secured Party, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Secured Party in the collection or disposition of any of the Collateral. Grantor acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by Secured Party would satisfy Secured Party's duties under the UCC in Secured Party's exercise of remedies against the Collateral and that other actions or omissions by Secured Party shall not be deemed to fail to satisfy such duties solely on account of not being indicated in this Section. Without limitation upon the foregoing, nothing contained in this Section shall be construed to grant any rights to Grantor or to impose any duties on Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

14. **No Waiver and Cumulative Remedies**. Secured Party shall not by any act (except by a written instrument pursuant to Section 18), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

15. **Security Interest Absolute**. All rights of Secured Party and Liens hereunder, and all Secured Obligations of Grantor hereunder, shall be absolute and unconditional irrespective of: (a) any illegality or lack of validity or enforceability of any Secured Obligation or any related agreement or instrument; (b) any change in the time, place or manner of payment of, or in any other term of, the Secured Obligations, or any rescission, waiver, amendment or other modification of the Loan Documents, including any increase in the Secured Obligations resulting from any extension of additional credit or otherwise; (c) any taking, exchange, substitution, release, impairment or non-perfection of any Collateral or any other collateral, or any taking, release, impairment, amendment, waiver or other modification of any guaranty, for all or any of the Secured Obligations; (d) any manner of sale, disposition or application of proceeds of any Collateral or any other collateral or other assets to all or part of the Secured Obligations; (e) any default, failure or delay, wilful or otherwise, in the performance of the Secured Obligations; (f) any defense, set-off or counterclaim (other than a defense of payment or performance) that may at any time be available to, or be asserted by, Grantor against Secured Party; or (g) any other circumstance (including any statute of limitations) or manner of administering the Loans or any existence of or reliance on any representation by Secured Party that might vary the risk of Grantor or otherwise operate as a defense available to, or a legal or equitable discharge of, Grantor or any other grantor, guarantor or surety.

16. **Continuing Security Interest; Further Actions**. This Agreement creates a continuing First Priority Lien in the Collateral and shall (a) subject to Section 17, remain in full force and effect until payment and performance in full of the Secured Obligations, (b) be binding upon Grantor, its successors and assigns, and (c) inure to the benefit of Secured Party and its successors, transferees and assigns; *provided that* Grantor may not assign or otherwise transfer any of its rights or obligations under this Agreement without Secured Party's prior written consent.

17. **Termination; Release**. On the date on which the PEC Contribution Amount (as defined in the Amendment) has been paid in full to Borrower, this Agreement will terminate automatically without any delivery of any instrument or performance of any act by any party, except that provisions that by their terms survive the termination of the Loan Documents will so survive. Upon such termination, Secured Party will, at the request and expense of Grantor, (a) duly assign, transfer and deliver to or at the direction of Grantor (without recourse and without any representation or warranty) such of the Collateral as may then remain in the possession of Secured Party, together with any monies at the time held by Secured Party hereunder, and (b) execute and deliver to Grantor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement.

18. **Amendments**. None of the terms or provisions of this Agreement may be amended, modified, supplemented, terminated or waived, and no consent to any departure by Grantor therefrom shall be effective unless the same shall be in writing and signed by Secured Party and Grantor, and then such amendment, modification, supplement, waiver or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

19. **Notices**. All notices, requests and demands to or upon any party hereto shall be given in the manner and become effective as stipulated in the Credit Agreement. Regardless of the manner in which notice is provided, notices may be sent to Agent at the Agent's address or telecopier number set forth in the signature pages to the Credit Agreement and to Pledgor at the address or telecopier number of Borrower set forth in the signature pages to the Credit Agreement or to such other address or telecopier number as any party may give to the other for such purpose in accordance with this paragraph.

20. **Headings**. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

21. **Counterparts; Integration; Effectiveness**. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties with respect to the subject matter of the Loan Documents and supersede all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

22. **Governing Law; Jurisdiction; Etc**.

(a) The laws of the State of Colorado will govern this Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement and the transactions contemplated hereby and thereby.

(b) Grantor irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind whatsoever, whether in law or equity, or whether in contract or tort or otherwise, against Secured Party in any way relating to this Agreement or the transactions contemplated hereby, in any forum other than the courts of the State of Colorado sitting in Denver County, and of the United States District Court of the Colorado, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that any such action, litigation or proceeding may be brought in any such Colorado State court or, to the fullest extent permitted by applicable law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein shall affect any right that Secured Party may otherwise have to bring any action or proceeding relating to this Agreement against Grantor or its properties in the courts of any jurisdiction.

(c) Grantor irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any such court referred to in Section 22(b). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Grantor irrevocably consents to the service of process in the manner provided for notices in Section 19 and agrees that nothing herein will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

23. **Waiver of Jury Trial**. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY. EACH PARTY HERETO (A) CERTIFIES THAT NO AGENT, ATTORNEY, REPRESENTATIVE OR ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF LITIGATION, AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

[signature page to follow]

The parties have executed this Security Agreement as of the date set forth in the introductory paragraph.

SECURED PARTY:

COBANK, ACB

By: /s/ Tom D. Houser
Print Name: Tom D. Houser
Title: Vice President

GRANTOR:

PACIFIC ETHANOL CENTRAL, LLC

By: /s/ Bryon T. McGregor
Print Name: Bryon T. McGregor
Title: CFO

SCHEDULE 1

COMMERCIAL TORT CLAIMS

None.

SCHEDULE 2

DEPOSIT ACCOUNT

Depository Bank	Account Holder	Account Number	Account Name
Bank of America	Pacific Ethanol Central, LLC	325000605601	Pacific Ethanol Central, LLC

Schedule 2 to Security Agreement

SCHEDULE 3

COLLATERAL LOCATIONS

400 Capitol Mall, Suite 2060, Sacramento, California 95814

Exhibit 10.5

GUARANTY AND CONTRIBUTION AGREEMENT

This Guaranty and Contribution Agreement (this "**Guaranty**"), dated as of March 20, 2019, is made by PACIFIC ETHANOL CENTRAL, LLC, a limited liability company organized and existing under the laws of Delaware (the "**Guarantor**"), for the benefit of COMPEER FINANCIAL, PCA, a federally-chartered instrumentality of the United States, successor by merger to 1st Farm Credit Services, PCA ("**Lender**"), and COBANK, ACB, a federally-chartered instrumentality of the United States ("**Agent**" and collectively with Lender, the "**Lender Parties**").

RECITALS:

WHEREAS, Lender, Agent and PACIFIC ETHANOL PEKIN, LLC ("**Borrower**") are parties to that certain Credit Agreement dated as of December 15, 2016, as amended by that certain Amendment No. 1 to Credit Agreement dated as of March 1, 2017, as further amended by that certain Amendment No. 2 to Credit Agreement dated as of August 7, 2017, that certain Amendment No. 3 to Credit Agreement dated as of March 30, 2018, and as further amended by that certain Amendment No. 4 to Credit Agreement (the "**Amendment**") of even date herewith (as may be amended, supplemented or restated from time to time, collectively the "**Credit Agreement**"), pursuant to which the Lender Parties may make advances and extend other financial accommodations to Borrower.

WHEREAS, pursuant to the Amendment, Guarantor will execute (i) a pledge agreement of even date herewith, in form acceptable to Agent, in favor of Agent with respect to its membership interests in Pacific Aurora, LLC, a Delaware limited liability company ("PAL"), and (ii) a security agreement of even date herewith, in form acceptable to Agent in favor of Agent, granting a security interest to Agent in substantially all of the assets of Guarantor.

WHEREAS, Guarantor will not consent to any limitation on the distribution of Net Income from the sale of any Aurora Assets or any lien or encumbrance on any Aurora Assets as set forth herein.

WHEREAS, Guarantor will receive substantial direct and indirect benefit from entering into the Guaranty.

WHEREAS, as a condition to entering into the Amendment and continuing to extend such credit to Borrower, the Lender Parties have required the execution and delivery of this Guaranty.

NOW, THEREFORE, Guarantor agrees as follows:

1. **Definitions**. All capitalized terms defined in the Credit Agreement that are not otherwise defined in this Guaranty have the meanings given them in the Credit Agreement. As used herein, the following terms shall have the following meanings:

"Aurora Assets" means (a) the membership interests in PAL owned by Guarantor, and (b) the assets owned by PAL, Aurora East, and Aurora West.

"Aurora East" means Pacific Ethanol Aurora East, LLC, a Delaware limited liability company.

"Aurora Plants" means the real estate, the improvements thereon, and the personal property associated with the ethanol plants located in Aurora, Nebraska and owned by PAL, Aurora East, and Aurora West.

"Aurora West" means Pacific Ethanol Aurora West, LLC, a Delaware limited liability company.

"Guaranteed Amount" shall mean the PEC Contribution Amount (as such term is defined in the Credit Agreement).

"JV Agreement" means the Amended and Restated Limited Liability Company Agreement of Aurora in effect on the date hereof.

"Net Income" shall have the meaning ascribed to it in the JV Agreement.

"Pledged Account" shall have the meaning ascribed to it in Section 15.

"Sale Proceeds" means all Net Income payable or distributable to Guarantor upon the sale of the Aurora Assets, or any portion thereof, whether as the result of the sale of any of the real property and/or personal property owned by PAL, Aurora East, or Aurora West or the sale of any of Guarantor's membership interest in PAL.

2. **Agreement to Guarantee**.

2 . 1 **Obligations Guaranteed**. For value received, Guarantor absolutely and unconditionally guarantees to the Lender Parties the full and prompt payment and performance when due, whether at maturity or earlier by reason of acceleration or otherwise, of the Obligations, provided that in no instance shall the obligations hereunder exceed an amount in excess of the Guaranteed Amount.

2.2 **Savings Provision**. Notwithstanding anything contained in this Guaranty to the contrary, the liability of Guarantor at any time will be limited to the maximum amount as will result in the liability of Guarantor not constituting a fraudulent conveyance or fraudulent transfer to the extent applicable to this Guaranty and the liability of Guarantor.

3 . **Guarantor's Representations and Warranties**. Guarantor represents and warrants to the Lender Parties that (a) Guarantor is an entity of the type described in the preamble to this Guaranty, duly organized and existing in good standing and has full power and authority to make and deliver this Guaranty; (b) the execution, delivery and performance of this Guaranty by Guarantor have been duly authorized by all necessary action and does not and will not violate the provisions of, or constitute a default under, any presently applicable law or its constituent documents or any agreement presently binding on Guarantor; (c) this Guaranty has been duly executed and delivered by the authorized officers of Guarantor and constitutes its lawful, binding and legally enforceable obligation; and (d) the authorization, execution, delivery and performance of this Guaranty do not require notification to, registration with, or consent or approval by, any federal, state or local regulatory body or administrative agency. Guarantor represents and warrants to the Lender Parties that Guarantor has a direct and substantial economic interest in Borrower and expects to derive substantial benefits therefrom and from any loans, credit transactions, financial accommodations, discounts, purchases of property and other transactions and events resulting in the creation of the Obligations guarantied hereby, and that this Guaranty is given for a corporate purpose. The Lender Parties may rely conclusively on a continuing warranty, hereby made, that Guarantor continues to be benefited by this Guaranty and the Lender Parties shall have no duty to inquire into or confirm the receipt of any such benefits, and this Guaranty shall be effective and enforceable by the Lender Parties without regard to the receipt, nature or value of any such benefits. Guarantor represents and warrants to the Lender Parties that, from and after the date of this Guaranty, none of PAL, Aurora East, or Aurora West shall perform any of the following (and Guarantor hereby covenants and agrees that it shall not direct, authorize or otherwise permit PAL, Aurora East, or Aurora West to perform any of the following (whether in its capacity as a member of PAL or otherwise) and shall exercise all voting rights it may hold with respect to PAL, Aurora East, or Aurora West in a manner that ensures that none of the following shall occur): (a) sell, assign, transfer or otherwise alienate ownership of any of the Aurora Assets without the prior written consent of the Lender Parties, or (b) incur, create, assume, or suffer to exist any lien, security interest, pledge, charge, encumbrance, or other limitation as to the Aurora Assets or the Sale Proceeds or incur any indebtedness (secured or unsecured, direct or contingent including guaranteeing any obligation) without the prior written consent of the Lender Parties. The Aurora Assets are now, and Guarantor will at all times ensure that the Aurora Assets remain, free and clear of all liens and encumbrances except for any liens and encumbrances in favor of the Lender Parties.

4 . **Unconditional Nature**. No act or thing need occur to establish Guarantor's liability hereunder, and no act or thing, except full payment and discharge of all of the Obligations, shall in any way exonerate Guarantor hereunder or modify, reduce, limit or release Guarantor's liability hereunder. This is an absolute, unconditional and continuing guaranty of payment of the Obligations and shall continue to be in force and be binding upon Guarantor, until the earlier of the date that (a) all of the Obligations are paid in full and the Lender Parties' commitment to make Loans have terminated, or (b) this Guaranty shall be terminated in accordance with Section 16.

5 . **Dissolution or Insolvency of Guarantor**. The dissolution or adjudication of bankruptcy of Guarantor shall not revoke this Guaranty. If Guarantor dissolves or becomes insolvent (however defined), then the Lender Parties shall have the right to declare immediately due and payable, and Guarantor will pay to the Lender Parties, the full amount of all of the Obligations whether due and payable or unmatured. If Guarantor voluntarily commences or there is commenced involuntarily against Guarantor a case under the United States Bankruptcy Code, the full amount of all Obligations, whether due and payable or unmatured, shall be immediately due and payable without demand or notice thereof.

6 . **Subrogation**. Guarantor hereby waives all rights that Guarantor may now have or hereafter acquire, whether by subrogation, contribution, reimbursement, recourse, exoneration, contract or otherwise, to recover from Borrower or from any property of Borrower any sums paid under this Guaranty. Guarantor will not exercise or enforce any right of contribution to recover any such sums from any person who is a co-obligor with Borrower or a guarantor or surety of the Obligations or from any property of any such person until all of the Obligations shall have been fully paid and discharged.

7 . **Subordination**. The Obligations, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that the Lender Parties may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both the Lender Parties and Guarantor shall be paid to the Lender Parties and shall be first applied by the Lender Parties to the Obligations. Guarantor hereby assigns to the Lender Parties all claims that it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided, however, that such assignment shall be effective only for the purpose of assuring to the Lender Parties full payment in legal tender of the Obligations. If the Lender Parties so request, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to the Lender Parties. Guarantor agrees, and the Lender Parties are hereby authorized, in the name of Guarantor, from time to time, to file financing statements and continuation statements and to execute documents and to take such other actions as the Lender Parties deem necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

8 . **Enforcement Expenses**. Guarantor shall pay on demand all costs and expenses, including reasonable attorneys' fees, incurred by the Lender Parties (a) in collecting the Obligations and in enforcing its rights under this Guaranty and the other Loan Documents, (b) in any bankruptcy, insolvency, assignment for the benefit of creditors, receivership, or other similar proceeding relating to Borrower, Borrower's assets, or Guarantor, (c) in any actual or threatened suit, action, proceeding, or adversary proceeding (including all appeals) by, against, or in any way involving the Lender Parties and Borrower or Guarantor, or in any way arising from this Guaranty or the Lender Parties' dealings with Guarantor, and (d) **to retain any payments or transfers of any kind made to**the Lender Parties **by or on account of this Guaranty, including the granting of liens, collateral rights, security interests, or payment protection of any type.**

9 . **Lender Parties' Rights**. The Lender Parties shall not be obligated by reason of its acceptance of this Guaranty to engage in any transactions with or for Borrower. Whether or not any existing relationship between Guarantor and Borrower has been changed or ended and whether or not this Guaranty has been revoked, the Lender Parties may enter into transactions resulting in the creation or continuance of the Obligations and may otherwise agree, consent to or suffer the creation or continuance of any of the Obligations, without any consent or approval by Guarantor and without any prior or subsequent notice to Guarantor. Guarantor's liability shall not be affected or impaired by any of the following acts or things (which the Lender Parties are expressly authorized to do, omit or suffer from time to time, both before and after revocation of this Guaranty, without consent or approval by or notice to Guarantor): (a) any acceptance of collateral security, guarantors, accommodation parties or sureties for any or all of the Obligations; (b) one or more extensions or renewals of the Obligations (whether or not for longer than the original period) or any modification of the interest rates, maturities, if any, or other contractual terms applicable to any of the Obligations or any amendment or modification of any of the terms or provisions of any loan agreement or other agreement under which the Obligations or any part thereof arose; (c) any waiver or indulgence granted to Borrower, any delay or lack of diligence in the enforcement of the Obligations or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any of the Obligations; (d) any full or partial release of, compromise or settlement with, or agreement not to sue, Borrower or any guarantor or other person liable in respect of any of the Obligations; (e) any release, surrender, cancellation or other discharge of any evidence of the Obligations or the acceptance of any instrument in renewal or substitution therefor; (f) any failure to obtain collateral security (including rights of setoff) for the Obligations, or to see to the proper or sufficient creation and perfection thereof, or to establish the priority thereof, or to preserve, protect, insure, care for, exercise or enforce any collateral security; (g) any modification, alteration, substitution, exchange, surrender, cancellation, termination, release or other change, impairment, limitation, loss or discharge of any collateral security; (h) any collection, sale, lease or disposition of, or any other foreclosure or enforcement of or realization on, any collateral security; (i) any assignment, pledge or other transfer of any of the Obligations or any evidence thereof; (j) any manner, order or method of application of any payments or credits upon the Obligations; and (k) any election by the Lender Parties under Section 1111(b) of the United States Bankruptcy Code.

10. **Waivers by Guarantor**. Guarantor waives any and all defenses and discharges available to a surety, guarantor or accommodation co-obligor. Guarantor waives any and all defenses, claims, setoffs and discharges of Borrower, or any other obligor, pertaining to the Obligations, except the defense of discharge by payment in full. Without limiting the generality of the foregoing, Guarantor will not assert, plead or enforce against the Lender Parties any defense of waiver, release, discharge or disallowance in bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to Borrower or any other person liable in respect of any of the Obligations, or any setoff available against the Lender Parties to Borrower or any other such person, whether or not on account of a related transaction. Guarantor shall be and remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the Obligations, whether or not the liability of Borrower or any other obligor for such deficiency is discharged pursuant to statute or judicial decision. The liability of Guarantor shall not be affected or impaired by any voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar event or proceeding affecting, Borrower or any of its assets. Guarantor will not assert, plead or enforce against the Lender Parties any claim, defense or setoff available to Guarantor against Borrower. Guarantor waives presentment, demand for payment, notice of dishonor or nonpayment and protest of any instrument evidencing the Obligations. The Lender Parties shall not be required first to resort for payment of the Obligations to Borrower or other persons, or their properties, or first to enforce, realize upon or exhaust any collateral security for the Obligations, before enforcing this Guaranty.

11. **Reinstatement**. If the Lender Parties repay, restore, or return, in whole or in part, any payment or property previously paid or transferred to the Lender Parties in full or partial satisfaction of any Obligation, because the payment or transfer was declared void, voidable, or otherwise recoverable under any law, or because the Lender Parties elect to repay, restore, or return all or any portion of the payment or transfer in connection with a claim that the payment or transfer was void, voidable, or otherwise recoverable, then the liability of Guarantor will automatically and immediately be revived, reinstated, and restored as to the amount repaid, returned, or restored as though the payment or transfer to the Lender Parties had never been made.

12. **Additional Obligation of Guarantor**. Guarantor's liability under this Guaranty is in addition to and shall be cumulative with all other liabilities of Guarantor to the Lender Parties as guarantor, surety, endorser, accommodation co-obligor or otherwise of any of the Obligations or obligation of Borrower, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

13. **Financial Information**. Guarantor will deliver to the Lender Parties all financial information concerning Guarantor required to be delivered under the Credit Agreement, or as may be reasonably requested by the Lender Parties from time to time.

14. **No Duties Owed by the Lender Parties** Guarantor acknowledges and agrees that the Lender Parties (a) have not made any representations or warranties with respect to, (b) do not assume any responsibility to Guarantor for, and (c) have no duty to provide information to Guarantor regarding, the enforceability of any of the Obligations or the financial condition of Borrower or any guarantor. Guarantor has independently determined the creditworthiness of Borrower and the enforceability of the Obligations and until the Obligations are paid in full will independently and without reliance on the Lender Parties continue to make such determinations.

15. **Direction and Contribution**. Guarantor represents and warrants that (i) it is a member of PAL and holds 73.93% of the membership interests in PAL, (ii) PAL holds title to all real property comprising the Aurora Plants, and (iii) PAL is the sole member of each of each of Pacific West and Pacific East, which entities have leasehold interests in the improvement portions of the Aurora Plants and hold title to all personal property associated with the Aurora Plants. Guarantor hereby covenants and agrees that (i) as a member of PAL it shall take all necessary actions to cause all Sale Proceeds to be distributed to Guarantor based on Guarantor's pro rata membership interest as set forth in the JV Agreement, and (ii) all Sale Proceeds distributed to Guarantor shall be immediately deposited into the deposit account set forth on Schedule 1 attached hereto (the "**Pledged Account**"). Guarantor shall promptly, but in all events within two (2) business days, contribute such Sale Proceeds to Borrower in an amount not to exceed the Guaranteed Amount.

16. **Termination**. Upon contribution of the Guaranteed Amount to Borrower, but subject to Section 11 hereof, this Guaranty shall automatically terminate.

17. **Miscellaneous**.

17.1 **Recitals**. The recitals set forth above are true and correct, and each recital is hereby encorporated into this Agreement by reference.

17.2 **Notices**. Except as otherwise specified herein, any notice, consent, request or other communication required or permitted to be given hereunder shall be in writing, addressed to the other party as set forth below such party's signature to this Guaranty or below for the Lender Parties (or to such other address or person as either party or person entitled to notice may by notice to the other party specify), and shall be: (a) personally delivered; (b) delivered by Federal Express or other comparable overnight delivery service; or (c) transmitted by United States certified mail, return receipt requested with postage prepaid.

If to the Agent:	6340 S. Fiddlers Green Grove Greenwood Village, Colorado 80111-1914 Attention: Credit Information Services
If to the Guarantor:	400 Capitol Mall, Suite 2060 Sacramento, California 95814

All such notices and communications shall have been duly given and shall be effective: (i) when delivered; (ii) the Business Day following the day on which the same has been delivered prepaid (or pursuant to an invoice arrangement) to Federal Express or other comparable overnight delivery service; or (iii) the third Business Day following the day on which the same is sent by certified mail, postage prepaid.

17.3 **No Oral Amendments**. This Guaranty may not be modified, amended, waived, extended, changed, discharged, revoked or terminated orally or by any act or failure to act on the part of Guarantor or the Lender Parties, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge, revocation or termination is sought.

17.4 **Counterparts; Integration; Effectiveness**. This Guaranty and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed and delivered, shall be deemed an original, but all of which counterparts together shall constitute but one agreement. This Guaranty and the other Loan Documents to which Guarantor is a party constitute the entire contract among the parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Guaranty by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart signature page.

17.5 **Successors and Assigns**. The terms and conditions of this Guaranty shall be binding upon Guarantor and Guarantor's successors, assigns and legal representatives; provided that this Guaranty shall not be assigned by Guarantor without the prior written consent of the Lender Parties.

17.6 **Severability**. If any term, covenant or condition of this Guaranty is held to be invalid, illegal or unenforceable in any respect, this Guaranty shall be construed without such provision.

17.7 **Governing Law; Jurisdiction; Etc**.

17.7.1 **Governing Law**. The laws of the State of Colorado will govern this Guaranty and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Guaranty and the transactions contemplated hereby and thereby.

17.7.2 **Submission to Jurisdiction**. Guarantor irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind whatsoever, whether in law or equity, or whether in contract or tort or otherwise, against the Lender Parties in any way relating to this Guaranty or the transactions contemplated hereby, in any forum other than the courts of the State of Colorado sitting in Denver County, and of the United States District Court of Colorado, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that any such action, litigation or proceeding may be brought in any such Colorado State court or, to the fullest extent permitted by applicable law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein will affect any right the Lender Parties may otherwise have to bring any action or proceeding relating to this Guaranty against Guarantor or its properties in the courts of any jurisdiction.

17.7.3 **Waiver of Venue**. Guarantor irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Guaranty in any such court referred to in Section 17.7.2. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

17.7.4 **Service of Process**. Guarantor irrevocably consents to the service of process in the manner provided for notices in Section 17.1 and agrees that nothing herein will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

17.8 **Waiver of Jury Trial**. GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE S ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THE LOAN OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, OR ANY OF THE LOAN DOCUMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTION OF GUARANTOR OR LENDER PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER PARTIES' MAKING OF THE LOAN.

[signature page to follow]

Guarantor has executed this Guaranty as of the date set forth in the introductory clause.

PACIFIC ETHANOL CENTRAL, LLC,
a Delaware limited liability company

By: /s/ Bryon T. McGregor
Name: Bryon T. McGregor
Title: CFO

Address:

400 Capital Mall
Suite 2060
Sacramento, CA 95814

SCHEDULE 1

PLEDGED ACCOUNT

Depository Bank	Account Holder	Account Number	Account Name
Bank of America	Pacific Ethanol Central, LLC	325000605601	Pacific Ethanol Central, LLC

Exhibit 10.6

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (this "**Agreement**") is made on March 20, 2019, by and among PACIFIC ETHANOL CENTRAL, LLC, a limited liability company organized under the laws of Delaware ("**Pledgor**"), PACIFIC AURORA, LLC, a limited liability company organized under the laws of Delaware ("**Aurora**"), and COBANK, ACB, a federally-chartered instrumentality of the United States, as Agent for the benefit of the Lenders under the Credit Agreement (together with its successors and assigns, "**Agent**").

RECITALS:

WHEREAS, COMPEER FINANCIAL, PCA, a federally-chartered instrumentality of the United States, successor by merger to 1st Farm Credit Services, PCA (together with its successors and assigns, "**Lender**" and together with Agent, the "**Lender Parties**"), Agent and PACIFIC ETHANOL PEKIN, LLC, a limited liability company organized under the laws of Delaware ("**Borrower**") are parties to that certain Credit Agreement dated as of December 15, 2016, as amended by that certain Amendment No. 1 to Credit Agreement dated as of March 1, 2017, as further amended by that certain Amendment No. 2 to Credit Agreement dated as of August 7, 2017, that certain Amendment No. 3 to Credit Agreement dated as of March 30, 2018, and as further amended by that certain Amendment No. 4 to Credit Agreement (the "**Amendment**") of even date herewith (as may be amended, supplemented or restated from time to time, collectively the "**Credit Agreement**"), pursuant to which the Lender Parties may make advances and extend other financial accommodations to Borrower.

WHEREAS, Pledgor executed and delivered a Guaranty and Contribution Agreement in favor of Lender and Agent of even date herewith (the "**Guaranty**").

WHEREAS, as a condition to Lender and Agent entering into the Amendment, Pledgor shall enter into this Agreement.

NOW, THEREFORE, for Ten Dollars ($10.00) in hand paid to Pledgor and in consideration of the premises and mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to secure the timely payment and performance of the Secured Obligations (as hereinafter defined), the parties hereto agree as follows:

1. Definitions. Each capitalized term used herein, unless otherwise defined herein, shall have the meaning ascribed to such term in the Credit Agreement. As used herein, the following terms shall have the following meanings:

"Companies" shall mean each of the entities identified as an "Issuer" on Annex A hereto, and each such entity individually is referred to herein as a "Company".

"Equity Interests" shall mean means all shares of capital stock (whether denominated as common stock or preferred stock), equity interests, beneficial partnership or membership interests, joint venture interests, units, limited liability company interests, participations or other ownership or profit interests in or equivalents (regardless of how designated) of or in a Person (other than an individual), whether voting or non-voting.

"Pledged Collateral" shall have the meaning ascribed to it in Section 2 hereof.

"Power" shall have the meaning ascribed to it in Section 2 hereof.

"Secured Obligations" shall mean (i) all obligations of Pledgor under the Guaranty and (ii) and all obligations of Pledgor now or hereafter existing under this Agreement.

2. Pledge; Agent's Duties.

(a) Pledgor hereby pledges, assigns, transfers, sets over and delivers to Agent, and hereby grants to Agent, for the benefit of Lender Parties, a security interest in, all of the Equity Interests of the Companies now or hereafter held by such Pledgor, including the Equity Interests more particularly described on Annex A hereto and all of such Pledgor's options, if any, for the purchase of any Equity Interests of any of the Companies, herewith delivered to Agent, and where certificated, accompanied by powers ("**Powers**") duly executed in blank, and all proceeds thereof including, without limitation, all proceeds from the sale of any such Equity Interests and all dividends and distributions at any time payable in connection such Equity Interests (said Equity Interests, Powers, options, and proceeds hereinafter collectively called the "**Pledged Collateral**") as security for the due and punctual payment and performance of the Secured Obligations.

(b) Agent shall have no duty with respect to any part or all of the Pledged Collateral of any nature or kind other than the duty to use reasonable care in the safe custody of any tangible items of the Pledged Collateral in its possession. Without limiting the generality of the foregoing, Agent shall be under no obligation to sell any of the Pledged Collateral or otherwise to take any steps necessary to preserve the value of any of the Pledged Collateral or to preserve rights in the Pledged Collateral against any other Persons, but may do so at its option upon an Event of Default, and all expenses incurred in connection therewith shall be for the sole account of Pledgor.

3 . Voting Rights. During the term of this Agreement, and so long as no Event of Default shall have occurred, Pledgor shall have the right to vote all or any portion of the Equity Interests owned by such Pledgor on all corporate and other company questions for all purposes not inconsistent with the terms of this Agreement or any of the other Loan Documents. To that end, if Agent transfers all or any portion of the Pledged Collateral into its name or the name of its nominee, to the extent authorized to do so under this Agreement or any of the other Loan Documents, Agent shall, upon the request of a Pledgor, unless an Event of Default shall have occurred, execute and deliver or cause to be executed and delivered to such Pledgor, proxies with respect to such Pledgor's respective portion of the Pledged Collateral. Pledgor hereby grants to Agent, effective upon or after the occurrence of an Event of Default, an **IRREVOCABLE PROXY** pursuant to which Agent shall be entitled (but shall not be obligated) to exercise all voting powers pertaining to its respective portion of the Pledged Collateral, including to call and attend all meetings of the shareholders, members or partners of the Companies to be held from time to time with full power to act and vote in the name, place and stead of such Pledgor (whether or not the Equity Interests shall have been transferred into its name or the name of its nominee or nominees), give all consents, waivers and ratifications in respect of the Pledged Collateral and otherwise act with respect thereto as though it were the outright owner thereof, and any and all proxies theretofore executed by such Pledgor shall terminate and thereafter be null and void and of no effect whatsoever.

4 . Collection of Dividend Payments. During the term of this Agreement, and so long as there no Event of Default shall exist, Pledgor shall have the right to receive and retain any and all dividends and other distributions payable by any Company to such Pledgor on account of any of the Pledged Collateral except as otherwise provided in the Loan Documents. Upon or after the occurrence of any Event of Default, all dividends and other distributions payable by any Company on account of any of the Pledged Collateral shall be paid to Agent and any such sum received by Pledgor shall be deemed to be held by such Pledgor in trust for the benefit of Agent and the other Lender Parties and shall be forthwith turned over to Agent for application by Agent to the Secured Obligations in the manner authorized by the Credit Agreement.

5 . Representations and Warranties of Pledgor. Pledgor hereby represents and warrants to Agent and Lenders as follows (which representations and warranties shall be deemed continuing): (a) such Pledgor is the legal and beneficial owner of its respective portion of the Pledged Collateral identified on Annex A; (b) all of the Equity Interests have been duly and validly issued, are fully paid and nonassessable, and are owned by such Pledgor free of any Liens except for Agent's security interest hereunder and under the Credit Agreement; (c) the Pledged Collateral constitutes the percentage of the issued and outstanding Equity Interests of each of the Companies identified on Annex A hereto; (d) there are no contractual or charter restrictions upon the voting rights or upon the transfer of any of the Pledged Collateral; (e) such Pledgor has the right to vote, pledge and grant a security interest in or otherwise transfer its respective portion of the Pledged Collateral without the consent of any other Person and free of any Liens and applicable restrictions imposed by any governmental authority, and without any restriction under the Organizational Documents of such Pledgor or any Company or any agreement among such Pledgor's or any Company's shareholders, partners or members; (f) this Agreement has been duly authorized, executed and delivered by such Pledgor and constitutes a legal, valid and binding obligation of such Pledgor, enforceable in accordance with its terms except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights; (g) the execution, delivery and performance by such Pledgor of this Agreement and the exercise by Agent of its rights and remedies hereunder do not and will not result in the violation of any of the Organizational Documents of such Pledgor, any agreement, indenture, instrument or Law by which such Pledgor or any Company is bound or to which such Pledgor or any Company is subject (except that such Pledgor makes no representation or warranty with respect to Agent's prospective compliance with any federal or state laws or regulations governing the sale or exchange of securities); (h) no consent, filing, approval, registration or recording is required (1) for the pledge by such Pledgor of its respective portion of the Pledged Collateral pursuant to this Agreement or (2) except for the filing of an appropriate UCC financing statement, to perfect the Lien created by this Agreement (to the extent that a Lien created by this Agreement can be perfected by filing a financing statement); (i) none of the Pledged Collateral is held or maintained in the form of a securities entitlement or credited to any securities account; and (j) if the Pledged Collateral is certificated, Pledgor shall cause such certificates or other documents evidencing or representing such Pledged Collateral, accompanied by Powers, all in form and substance satisfactory to Agent to be delivered to Agent.

6. Affirmative Covenants of Pledgor. Until Payment in Full of all of the Secured Obligations and termination of the Credit Agreement, Pledgor covenants that it will: (a) warrant and defend at its own expense Agent's right, title and security interest in and to the Pledged Collateral against the claims of any Person; (b) promptly deliver to Agent all written notices with respect to the Pledged Collateral, and promptly give written notice to Agent of any other notices received by such Pledgor with respect to the Pledged Collateral; (c) promptly deliver to Agent to hold under this Agreement any Equity Interests of any Company subsequently acquired by such Pledgor, whether acquired by such Pledgor by virtue of the exercise of any options included within the Pledged Collateral or otherwise (which Equity Interests, whether or not delivered, shall be deemed to be a part of the Pledged Collateral); (d) if any of the Pledged Collateral constituting membership interests in a limited liability company or general or limited partnership interests in a limited partnership or limited liability partnership is hereafter designated by the relevant Company as a "security" under (and as defined in) Article 8 of the UCC, cause such Pledged Collateral to be certificated and deliver to Agent all certificates evidencing such Pledged Collateral, accompanied by Powers, all in form and substance satisfactory to Agent; and (e) if at any time hereafter any of the Pledged Collateral that is not currently certificated becomes certificated, deliver all certificates or other documents evidencing or representing the Pledged Collateral to Agent, accompanied by Powers, all in form and substance satisfactory to Agent.

7 . **Negative Covenants of Pledgor**. Until Payment in Full of the Secured Obligations and termination of the Credit Agreement, Pledgor covenants that it will not, without the prior written consent of Agent, (a) sell, convey or otherwise dispose of any of the Pledged Collateral or any interest therein other than as permitted under the Credit Agreement; (b) grant or permit to exist any Lien whatsoever upon or with respect to any of the Pledged Collateral or the proceeds thereof, other than the security interest created hereby; (c) consent to the issuance by any Company of any new Equity Interests; (d) consent to any merger or other consolidation of any Company with or into any corporation or other entity other than as permitted under the Credit Agreement; (e) cause any Pledged Collateral to be held or maintained in the form of a security entitlement or credited to any securities account; (f) designate, or cause any Company to designate, any of the Pledged Collateral constituting membership interests in a limited liability company or general or limited partnership interests in a limited partnership or limited liability partnership as a "security" under Article 8 of the UCC, unless such Company has caused such Pledged Collateral to become certificated and has complied with the requirements of Section 6(e) hereof with respect to such Pledged Collateral; (g) evidence, or permit any Company to evidence, any of the Pledged Collateral that is not currently certificated, with any certificates, instruments or other writings, unless such Company has complied with the provisions of Section 6(e) of this Agreement; or (h) consent to or permit any amendment of the Organizational Documents of any Company that would restrict such Pledgor's right to vote, pledge or grant a security interest in or otherwise transfer its respective portion of the Pledged Collateral.

8 . **Irrevocable Authorization and Instruction to Companies**. To the extent that any portion of the Pledged Collateral might now or hereafter consist of uncertificated securities within the meaning of Article 8 of the UCC, Pledgor irrevocably authorizes and instructs each Company to comply with any instruction received by such Company from Agent with respect to such Pledged Collateral without any other or further instructions from or consent of Pledgor, and Pledgor agrees that each Company shall be fully protected in so complying; provided, however, that Agent agrees that Agent will not issue or deliver any such instructions to any Company except upon or after the occurrence of an Event of Default.

9 . **Subsequent Changes Affecting Pledged Collateral**. Pledgor hereby represents to Agent that such Pledgor has made its own arrangements for keeping informed of changes or potential changes affecting the Pledged Collateral (including rights to convert, rights to subscribe, payment of dividends and distributions, reorganization or other exchanges, tender offers and voting rights), and such Pledgor hereby agrees that Agent shall have no responsibility or liability for informing such Pledgor of any such changes or potential changes or for taking any action or omitting to take any action with respect thereto. Agent may, at any time that an Event of Default exists, at its option and without notice to Pledgor, transfer or register the Pledged Collateral or any portion thereof into its or its nominee's name with or without any indication that such Pledged Collateral is subject to the security interest hereunder.

10. **Equity Interest Adjustments**. If during the term of this Agreement any dividend, reclassification, readjustment or other change is declared or made in the capital structure of any of the Companies, or any option included within the Pledged Collateral is exercised, or both, all new, substituted and additional Equity Interests or other securities issued by reason of any such change or exercise shall, if received by Pledgor, be held in trust for Lenders' benefit and shall be promptly delivered to and held by Agent under the terms of this Agreement in the same manner as the Pledged Collateral originally pledged hereunder.

11. **Warrants, Options and Rights**. If during the term of this Agreement subscription warrants or any other rights or options are issued or exercised by Pledgor in connection with the Pledged Collateral, then such warrants, rights and options shall be promptly assigned by such Pledgor to Agent and all certificates evidencing new Equity Interests or other securities so acquired by such Pledgor shall be promptly delivered to Agent to be held under the terms of this Agreement in the same manner as the Pledged Collateral originally pledged hereunder.

12. **Registration**. If Agent determines that it is required to register under or otherwise comply in any way with the Securities Act of 1933, as amended from time to time (the "Securities Act") or any similar federal or state law with respect to the securities, if any, included in the Pledged Collateral prior to sale thereof by Agent, then upon or after the occurrence of any Event of Default, Pledgor will use its best efforts to cause any such registration to be effectively made, at no expense to Agent, and to continue such registration effective for such time as may be necessary in the reasonable opinion of Agent, and will reimburse Agent for any out-of-pocket expense incurred by Agent, including reasonable attorneys' fees and accountants' fees and expenses, in connection therewith.

13. **Consent**. Pledgor hereby consents that from time to time, before or after the occurrence or existence of any Default or Event of Default, with or without notice to or assent from such Pledgor, any other security at any time held by or available to Agent for any of the Secured Obligations may be exchanged, surrendered, or released, and any of the Secured Obligations may be changed, altered, renewed, extended, continued, surrendered, compromised, waived or released, in whole or in part, as Agent may see fit, and Pledgor shall remain bound under this Agreement and under the other Loan Documents notwithstanding any such exchange, surrender, release, alteration, renewal, extension, continuance, compromise, waiver or inaction, extension of further credit or other dealing.

14. **Remedies Upon Default**. Upon or after the occurrence of any Event of Default, (i) Agent shall have, in addition to any other rights given by law or the rights given hereunder or under each of the other Loan Documents, all of the rights and remedies with respect to the Pledged Collateral of a secured party under the UCC and (ii) Agent may cause all or any part of the Equity Interests held by it to be transferred into its name or the name of its nominee or nominees. In addition, upon or at any time after the occurrence of an Event of Default, Agent may sell or cause the Pledged Collateral, or any part thereof, which shall then be or shall thereafter come into Agent's possession or custody, to be sold at any broker's board or at public or private sale, in one or more sales or lots, at such price as Agent may deem best, and for cash or on credit or for future delivery, and the purchaser of any or all of the Pledged Collateral so sold shall thereafter hold the same absolutely, free from any claim, encumbrance or right of any kind whatsoever of Pledgor or arising through Pledgor. If any of the Pledged Collateral is sold by Agent upon credit or for future delivery, Agent shall not be liable for the failure of the purchaser to pay the same and in such event Agent may resell such Pledged Collateral. Unless the Pledged Collateral threatens to decline speedily in value or is or becomes of a type sold on a recognized market, Agent will give the applicable Pledgor reasonable notice of the time and place of any public sale thereof, or of the time after which any private sale or other intended disposition is to be made. Any sale of the Pledged Collateral conducted in conformity with reasonable commercial practices of banks, insurance companies or other financial institutions disposing of property similar to the Pledged Collateral shall be deemed to be commercially reasonable. Any requirements of reasonable notice shall be met if such notice is mailed to the applicable Pledgor, as provided in Section 22 below, at least ten (10) days before the time of the sale or disposition. Any other requirement of notice, demand or advertisement for sale is, to the fullest extent permitted by applicable Law, waived. Agent may, in its own name, or in the name of a designee or nominee, buy at any public sale of the Pledged Collateral and, if permitted by applicable Law, buy at any private sale thereof. Pledgor will pay to Agent on demand all expenses (including court costs and reasonable attorneys' fees and expenses) of, or incident to, the enforcement of any of the provisions hereof and all other charges due against the Pledged Collateral, including taxes, assessments or Liens upon the Pledged Collateral and any expenses, including transfer or other taxes, arising in connection with any sale, transfer or other disposition of Pledged Collateral. In connection with any sale of Pledged Collateral by Agent, Agent shall have the right to execute any document or form, in its name or in the name of Pledgor, that may be necessary or desirable in connection with such sale, including Form 144 promulgated by the Securities and Exchange Commission. In view of the fact that federal and state securities laws may impose certain restrictions on the method by which a sale of the Pledged Collateral may be effected after an Event of Default, Pledgor agrees that Agent may, from time to time, attempt to sell all or any part of the Pledged Collateral by means of a private placement restricting the bidders and prospective purchasers to those who will represent and agree that they are purchasing for investment only and not for distribution. Pledgor agrees that any such private sales may be at prices and other terms less favorable to the seller than if sold at public sales and that such private sales shall not by reason thereof be deemed not to have been made in a commercially reasonable manner. Agent shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit the issuer of such securities to register such securities for public sale under the Securities Act even if the issuer would agree to do so. Agent shall apply the cash proceeds actually received from any sale or other disposition to the reasonable expenses of retaking, holding, preparing for sale, selling and the like, to reasonable attorneys' fees, and all legal expenses, travel and other expenses that might be incurred by Agent in attempting to collect the Secured Obligations or to enforce this Agreement or in the prosecution or defense of any action or proceeding related to the subject matter of this Agreement; and then to the Secured Obligations in the manner authorized by the Credit Agreement.

15. **Redemption; Marshaling**. Pledgor hereby waives and releases to the fullest extent permitted by applicable Law any right or equity of redemption with respect to the Pledged Collateral before or after a sale conducted pursuant to Section 14 hereof. Pledgor agrees that Agent shall not be required to marshal any present or future security (including this Agreement and the Pledged Collateral pledged hereunder) for, or guaranties of, the Secured Obligations or any of them, or to resort to such security or guaranties in any particular order; and all of Agent's rights hereunder and in respect of such security and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the fullest extent that it lawfully may, Pledgor hereby agrees that it will not invoke any law relating to the marshaling of collateral that might cause delay in or impede the enforcement of Agent's rights under this Agreement or under any other instrument evidencing any of the Secured Obligations or under which any of the Secured Obligations is outstanding or by which any of the Secured Obligations is secured or guaranteed, and to the fullest extent that it lawfully may, Pledgor hereby irrevocably waives the benefits of all such laws.

16. **Term**. This Agreement shall become effective only when accepted by Agent and, when so accepted, shall constitute a continuing agreement and shall remain in full force and effect until Payment in Full of the Secured Obligations and termination of the Guaranty, at which time this Agreement shall terminate and Agent shall deliver to the Pledgor, at Pledgor's expense, such of the Pledged Collateral as shall not have been sold or otherwise applied pursuant to this Agreement. Notwithstanding the foregoing, in no event shall any termination of this Agreement terminate any indemnity set forth in this Agreement or any of the other Loan Documents, all of which indemnities shall survive any termination of this Agreement or any of the other Loan Documents. For the avoidance of doubt, this Agreement shall automatically terminate on the date on which the PEC Contribution Amount (as defined in the Amendment) has been paid in full to Borrower.

17. **Rules and Construction**. The singular shall include the plural and vice versa, and any gender shall include any other gender as the text shall indicate. All references to "including" shall mean "including, without limitation." Each reference in this Agreement to a "corporation" shall also be deemed to include a reference to a limited liability company, limited partnership or limited liability partnership and vice versa, each reference to "shareholders" of a Person shall also be deemed to include a reference to members or partners and vice versa and each reference to "certificate of incorporation" or "articles of incorporation" or "bylaws" shall also be deemed to include a reference to "certificate of formation" or "certificate of limited partnership" and "limited liability company operating agreement" or "limited partnership agreement" or other Organizational Documents of a limited liability company, limited partnership or limited liability partnership and vice versa.

18. **Successors and Assigns**. This Agreement shall be binding upon Pledgor and its respective successors and assigns, and shall inure to the benefit of Agent and Lender Parties and their respective successors and assigns. This Agreement is fully assignable by any Lender Party without the consent of Pledgor or Aurora; provided that this Agreement may not be assigned by Pledgor or Aurora without the prior written consent of the Lender Parties.

19. **Construction and Applicable Law**. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but, if any provision of this Agreement shall be held to be prohibited or invalid under any applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. This Agreement shall be governed by and the rights and liabilities of the parties hereto determined and construed in accordance with the internal laws of the State of Colorado without regard to its conflicts of law provisions. This Agreement is intended to take effect as a document executed and delivered under seal.

20. **Cooperation and Further Assurances**. Pledgor agrees that it will cooperate with Agent and will, upon Agent's request, execute and deliver, or cause to be executed and delivered, all such other powers, instruments, financing statements, certificates, legal opinions and other documents, and will take all such other action as Agent requests from time to time, in order to carry out the provisions and purposes hereof, including delivering to Agent, if requested by Agent, irrevocable proxies with respect to the Equity Interests in form satisfactory to Agent. Until receipt thereof, this Agreement shall constitute Pledgor's proxy to Agent or its nominee to vote all shares of the Equity Interests then registered in such Pledgor's name (subject to such Pledgor's voting rights under Section 3 hereof) upon or after the occurrence of an Event of Default.

21. **Agent's Exoneration**. Under no circumstances shall Agent be deemed to assume any responsibility for or obligation or duty with respect to any part or all of the Pledged Collateral of any nature or kind, other than the physical custody thereof, or any matter or proceedings arising out of or relating thereto. Agent shall not be required to take any action of any kind to collect, preserve or protect its or Pledgor's rights in the Pledged Collateral or against other parties thereto. Agent's prior recourse to any part or all of the Pledged Collateral shall not constitute a condition of any demand, suit or proceeding for payment or collection of the Secured Obligations.

22. **Notices**. All notices, requests and demands to or upon any party hereto shall be given in the manner and become effective as stipulated in the Credit Agreement. Regardless of the manner in which notice is provided, notices may be sent to Agent at the Agent's address or telecopier number set forth in the signature pages to the Credit Agreement and to Pledgor at the address or telecopier number of Borrower set forth in the signature pages to the Credit Agreement or to such other address or telecopier number as any party may give to the other for such purpose in accordance with this paragraph.

23. **Pledgor's Obligations Not Affected**. The obligations of Pledgor hereunder shall remain in full force and effect without regard to, and shall not be impaired by (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of Pledgor; (b) any exercise or nonexercise, or any waiver, by Agent of any right, remedy, power or privilege under or in respect of any of the Secured Obligations or any security thereof (including this Agreement); (c) any amendment to or modification of the Credit Agreement, the other Loan Documents or any of the Secured Obligations; (d) any amendment to or modification of any instrument (other than this Agreement) securing any of the Secured Obligations; or (e) the taking of additional security for, or any guaranty of, any of the Secured Obligations or the release or discharge or termination of any security or guaranty for any of the Secured Obligations, regardless of whether or not Pledgor shall have notice or knowledge of any of the foregoing.

24. **No Waiver, Etc**. No act, failure or delay by Agent shall constitute a waiver of any of its rights and remedies hereunder or otherwise. No single or partial waiver by Agent of any Default or Event of Default or right or remedy that Agent might have shall operate as a waiver of any other Default, Event of Default, right or remedy or of the same Default, Event of Default, right or remedy on a future occasion. Pledgor hereby waives presentment, notice of dishonor and protest of all instruments included in or evidencing any of the Secured Obligations or the Pledged Collateral, and any and all other notices and demands whatsoever (except as expressly provided herein).

25. **Section Headings**. The section headings herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

26. **Agent Appointed Attorney-In-Fact**. Upon and after the occurrence of an Event of Default, Agent shall be deemed to be Pledgor's attorney-in-fact, with full power of substitution, for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that Agent reasonably deems necessary or advisable to accomplish the purposes hereof, which appointment is coupled with an interest and is irrevocable. Without limiting the generality of the foregoing, Agent shall have the power to arrange for the transfer, upon or at any time after the occurrence of an Event of Default, of any of the Pledged Collateral on the books of any or all of the Companies to the name of Agent or Agent's nominee. Pledgor agrees to indemnify and save Agent harmless from and against any liability or damage that Agent might suffer or incur, in the exercise or performance of any of Agent's powers and duties specifically set forth herein, except to the extent that such liability or damage arises from Agent's gross negligence or willful misconduct.

27. **Use of Loan Proceeds**. Pledgor hereby represents and warrants to Agent that none of the loan proceeds heretofore and hereafter received by it under the Credit Agreement are for the purpose of purchasing any "margin stock" as that term is defined in either Regulation U promulgated by the Board of Governors of the Federal Reserve System, or refinancing any indebtedness originally incurred to purchase any such "margin stock."

28. **Waiver of Subrogation and Other Claims**. Pledgor recognizes that Agent, in exercising its rights and remedies with respect to the Pledged Collateral, may likely be unable to find one or more purchasers thereof if, after the sale of the Pledged Collateral, the Company were, because of any claim based on subrogation or any other theory, liable to such Pledgor on account of the sale by Agent of the Pledged Collateral in full or partial satisfaction of the Secured Obligations or liable to such Pledgor on account of any indebtedness owing to such Pledgor that is subordinated to any or all of the Secured Obligations. Pledgor hereby agrees, therefore, that if Agent sells any of the Pledged Collateral in full or partial satisfaction of the Secured Obligations, such Pledgor shall in such case have no right or claim against any Company on account of any such subordinated indebtedness or on the theory that such Pledgor has become subrogated to any claim or right of Agent against such Company or on any basis whatsoever, and Pledgor hereby expressly waives and relinquishes, to the fullest extent permitted by applicable Law, all such rights and claims against Companies.

29. **Execution in Counterparts**. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. In proving this Agreement in any judicial proceeding, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom such enforcement is sought. Any manually-executed signature page delivered by a party by facsimile or other electronic transmission shall be deemed to be an original signature page hereto.

30. WAIVERS. PLEDGOR HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW: NOTICE OF AGENT'S ACCEPTANCE OF THIS AGREEMENT; NOTICE OF EXTENSIONS OF CREDIT, LOANS, ADVANCES OR OTHER FINANCIAL ASSISTANCE BY LENDERS TO PLEDGOR; THE RIGHT TO TRIAL BY JURY (WHICH AGENT ALSO WAIVES) IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM CONCERNING THIS AGREEMENT OR ANY OF THE PLEDGED COLLATERAL; PRESENTMENT AND DEMAND FOR PAYMENT OF ANY OF THE SECURED OBLIGATIONS; PROTEST AND NOTICE OF DISHONOR OR DEFAULT WITH RESPECT TO ANY OF THE SECURED OBLIGATIONS; AND ALL OTHER NOTICES TO WHICH SUCH PLEDGOR MIGHT OTHERWISE BE ENTITLED EXCEPT AS HEREIN OTHERWISE EXPRESSLY PROVIDED.

[Remainder of page intentionally left blank; signatures begin on following page.]

IN WITNESS WHEREOF, Pledgor has caused this Agreement to be signed, sealed and delivered by its duly authorized representative on the day and year first above written.

PLEDGOR:

PACIFIC ETHANOL CENTRAL, LLC

By: /s/ Bryon T. McGregor
Name: Bryon T. McGregor
Title: CFO

Accepted:

AGENT:

COBANK, ACB

By: /s/ Tom D. Houser
Name: Tom D. Houser
Title: Vice President

[Signature page to Pledge Agreement]

ANNEX A

to Pledge Agreement

Pledgor	Issuer	Type and Class of Equity Interests	Number of Pledged Shares	Certificate Number	Percentage of Outstanding Equity Interests
Pacific Ethanol Central, LLC	Pacific Aurora, LLC	Membership Interest	73.93 units	N/A	73.93%

ACKNOWLEDGMENT AND AGREEMENT OF ISSUER

The undersigned ("**Issuer**") hereby acknowledges, represents and agrees that: (i) such Issuer has received a true and correct copy of the within and foregoing Pledge Agreement (the "**Agreement**") by and among PACIFIC ETHANOL CENTRAL, LLC, a limited liability company organized under the laws of Delaware ("**Pledgor**"), PACIFIC AURORA, LLC, a limited liability company organized under the laws of Delaware ("**Aurora**"), COMPEER FINANCIAL, PCA, a federally-chartered instrumentality of the United States, successor by merger to 1st Farm Credit Services, PCA (together with its successors and assigns, "**Lender**"), and COBANK, ACB, a federally-chartered instrumentality of the United States (together with its successors and assigns, "**Agent**" and together with the Lender, the "**Lender Parties**"); (ii) the Agreement has been duly recorded and noted on the books and records of Issuer and will be maintained as part of such books and records; (iii) the Agreement does not violate any term, condition or covenant of the organizational documents of Issuer, or of any other agreement to which Issuer is a party; (iv) Issuer will comply with written instructions originated by Agent without further consent of Pledgor as the registered owner of such Pledgor's respective portion of the Pledged Collateral; (v) Issuer consents to the execution of the Agreement and to the assignment, transfer and pledge of the Pledged Collateral effected thereby; and (vi) upon and after the occurrence of an Event of Default, Issuer consents to a public or private sale or sales of all or any part of the Pledged Collateral by Agent in accordance with the terms of the Agreement and consents to each purchaser of all or any part of the Pledged Collateral at such sale or sales becoming a shareholder, member, partner or other owner, as applicable, of Issuer thereby entitled to the same rights and privileges and subject to the same duties as the owner of the applicable Pledged Collateral under the Organizational Documents of Issuer.

Each capitalized term used herein, unless otherwise defined herein, shall have the meaning ascribed to such term in the Agreement. Any manually-executed signature page delivered by a party by facsimile or other electronic transmission shall be deemed to be an original signature page hereto.

[Remainder of page intentionally left blank; signature appears on the following page.]

IN WITNESS WHEREOF, Issuer has executed this Acknowledgment and Agreement of Issuer under seal as of the date of the Agreement referenced above.

ISSUER:

PACIFIC AURORA, LLC

By: /s/ Bryon T. McGregor
Name: Bryon T. McGregor
Title: CFO

Exhibit 10.7

AMENDMENT NO. 1
TO
SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "**Amendment**") is entered into as of March 27, 2019, by and among WELLS FARGO BANK, NATIONAL ASSOCIATION, in its capacity as administrative agent (in such capacity, " **Agent**") for each member of the Lender Group and the Bank Product Provider (as each such term is defined in the Credit Agreement referred to below), KINERGY MARKETING LLC ("**Kinergy**"), and PACIFIC AG. PRODUCTS, LLC ("**Pacific Ag**" and together with Kinergy, each individually, a "**Borrower**" and collectively, the "**Borrowers**").

WHEREAS, Borrowers, Agent and Lenders (as defined below) have entered into certain financing arrangements as set forth in (a) the Second Amended and Restated Credit Agreement, dated as of August 2, 2017, by and among Agent, the financial institutions from time to time party thereto as lenders (collectively, the " **Lenders**") and Borrowers (as amended, restated, renewed, extended, supplemented, substituted and otherwise modified from time to time, the "**Credit Agreement**") and (b) the Loan Documents (as defined in the Credit Agreement);

WHEREAS, Borrowers, Agent and Lenders have agreed to amend and modify certain provisions of Credit Agreement, subject to the terms and conditions of this Amendment.

NOW, THEREFORE, upon the mutual agreements and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

(a) Additional Definitions. The Credit Agreement is hereby amended to add the following new definition thereto:

" "Aurora Assets" shall mean (a) the membership interests in Pacific Aurora, LLC owned by Pacific Ethanol Central, LLC and/or (b) the assets owned by Pacific Aurora, LLC and its Subsidiaries.

" "Aurora Assets Transaction" shall mean the sale or refinance of the one or more of the Aurora Assets in an amount sufficient to satisfy the Compliance Conditions (as that term is defined in the Pekin Amendment).

" "Pekin Amendment" shall mean that certain Amendment No. 4 to Credit Agreement and Other Loan Documents dated as of March 20, 2019 pursuant to which the Pacific Ethanol Credit Facility described in clause (a) of the definition thereof was further amended."

" "Amendment No. 1 Effective Date" shall mean March __, 2019."

" "Special Loan Amount" shall mean, as of any date of determination during the Special Period, the amount equal to the difference between the Borrowing Base calculated using the advance rates applicable during the Special Period and the Borrowing Base calculated using the advance rates applicable upon expiration of the Special Period."

" "Special Loans" shall mean, as of any date of determination during the Special Period, outstanding Revolving Loans in the amount equal to the Special Loan Amount. For the avoidance of doubt, during the Special Period (and terminating as of the end of such Special Period), Revolving Loans outstanding in an amount equal to the Special Loan Amount are deemed Special Loans and such Special Loans are deemed the first Revolving Loans outstanding and last Revolving Loans to be repaid. "

" "Special Period" shall mean the period through and including the earlier of (a) September 30, 2019 and (b) the tenth (10th) Business Day following written notice from Agent to Administrative Borrower of the election of Agent to terminate the Special Period."

(b) Interpretation. Capitalized terms used and not defined in this Amendment shall have the respective meanings given them in the Credit Agreement.

2. Amendments.

(a) Applicable Margin. The last paragraph of the definition of "Applicable Margin" set forth in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

"The Applicable Margin shall be re-determined as of the first day of each quarter. Notwithstanding anything to the contrary herein, (i) during the Special Period, (A) the Applicable Margin on Special Loans outstanding shall be set at the margin in the row styled "Level III" above plus two (2%) percent per annum, and (B) the Applicable Margin on all other Revolving Loans shall be set at the margin in the row styled "Level III" above, and (ii) the Applicable Margin shall be the highest percentage set forth in the grid above (or, in the case of Special Loans outstanding during the Special Period, the percentage determined under the foregoing clause (i) of this sentence) plus two (2%) percent per annum, at Agent's option without notice, (A) for the period on and after the date of termination or non-renewal hereof until such time as all Obligations are indefeasibly paid and satisfied in full in immediately available funds, (B) for the period from and after the date of the occurrence of any Event of Default, and for so long as such Event of Default is continuing as determined by Agent, and (C) on the Revolving Loans to Borrowers at any time outstanding in excess of the Borrowing Base (whether or not such excess(es) arise or are made with or without Agent's or any Lender's knowledge or consent and whether made before or after an Event of Default). The Applicable Margin as of the Closing Date shall be the Applicable Margin shall be set at the margin in the row styled "Level II" above."

(b) Borrowing Base. The definition of "Borrowing Base" set forth in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

""Borrowing Base" means, at any time, the amount equal to:

(a) the sum of:

(i) eighty-five percent (85%) of the Eligible Accounts of Borrowers; provided that, during the Special Period, such percentage shall be ninety percent (90%); plus

(ii) the lesser of (A) $50,000,000, (B) seventy percent (70%) multiplied by the Value of the Eligible Inventory and Eligible-In-Transit Inventory of Borrowers, or (C) eighty-five percent (85%) of the Net Recovery Percentage multiplied by the Value of Eligible Inventory and Eligible In-Transit Inventory of Borrowers; provided that, during the Special Period, the percentages set forth in the foregoing clauses (B) and (C) shall be eighty percent (80%) and ninety-five percent (95%) respectively; minus

(b) Reserves."

(c) Eligible Accounts. Subsection (n) of the definition of "Eligible Accounts" set forth in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

"(n) such Accounts are not unpaid more than (i) in the case of Accounts of Pacific Ag, thirty (30) days after the original due date for such Accounts or ninety (90) days after the date of the original invoice for them; provided that, with respect to Accounts due from Proctor & Gamble, such ninety (90) day period shall be one hundred and fifty (150) days; and (ii) in the case of all other Accounts, thirty (30) days after the original due date for such Accounts or forty-five (45) days after the date of the original invoice for them; provided that, with respect to Accounts due from Proctor & Gamble, such forty-five (45) day period shall be one hundred and fifty (150) days;"

(d) Increased Reporting Event. The definition of "Increased Reporting Event" set forth in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

""Increased Reporting Event" means if at any time (a) Excess Availability is less than the greater of fifteen percent (15%) of the Borrowing Base reflected in the Borrowing Base Certificate most recently delivered by Borrowers to Agent or $10,000,000, or (b) a Default or Event of Default shall have occurred and be continuing."

(e) Mandatory Prepayments. Section 2.4(e) of the Credit Agreement is hereby amended to add the following new sentence to the end thereof:

"In addition but without duplication of prepayments under the preceding sentence, if at any time during the Special Period the Revolver Usage on such date exceeds the total payments received by Borrowers in respect of their Accounts and Inventory during the thirty (30) day period ending on the Business Day as of which was prepared the Borrowing Base reflected in the Borrowing Base Certificate most recently delivered by Borrowers to Agent hereunder, then Borrowers shall promptly, but in any event within one Business Day, prepay the Obligations in accordance with Section 2.4(f)(i) in an aggregate amount equal to the amount of such excess. During the Special Period, Borrowers shall deliver to Agent, contemporaneously with each Borrowing Base Certificate delivered by Borrowers to Agent hereunder, a report of all payments received by Borrowers in respect of their Accounts and Inventory during the thirty (30) day period ending on the Business Day as of which was prepared the Borrowing Base reflected in such Borrowing Base Certificate."

(f) Financial Covenants. Article 7 to the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

"7. FINANCIAL COVENANTS.

Until the termination of all of the Commitments and the payment in full of the Obligations, each Borrower covenants and agrees that:

(a) during the Special Period, Borrowers will maintain a Fixed Charge Coverage Ratio of not less than 2:0 to 1.00, calculated as of the last day of each fiscal month of Borrowers for the 12 month period then ended; and

(b) after expiration of the Special Period, Borrowers will maintain a Fixed Charge Coverage Ratio of not less than 2:0 to 1.00, calculated as of the last day of each fiscal month of Borrowers for the 12 month period then ended; provided, that, the financial covenant under this clause (b) shall not apply to any month for which the Excess Availability was at all times during such month, and at all times during each of the two (2) prior months, greater than twenty percent (20%) of the Maximum Revolver Amount; provided, further, that the foregoing test metric shall be based on Liquidity and not Excess Availability during any consecutive five (5) Business Day period that includes the last Business Day of a fiscal quarter (not to exceed five (5) total Business Days for any quarter end)."

(g) Collateral Reporting. Schedule 5.2 to the Credit Agreement is hereby amended to delete clause (b) of the first row and substitute the following therefor:

"(b) inventory reports by location and category (and including the amounts of Inventory and the value thereof at any leased locations and at premises of warehouses, processors or other third parties); provided that, if an Increased Reporting Period is in effect, such reports may, with the written consent of Agent, continue to be delivered on a monthly basis as if no such Increased Reporting Period were in effect so long as, on a weekly basis no later than two (2) Business Days after the end of each week, Borrowers deliver to Agent estimates of such reports."

(h) Other Reporting.

(i) Section 5.2 of the Credit Agreement is hereby amended to delete clause (a) of such Section and substitute the following therefor:

"(a) Borrowers (a) will deliver to Agent (and if so requested by Agent, with copies for each Lender) each of the reports set forth on Schedule 5.2 and on Schedule 5.3 to this Agreement at the times specified therein,"

(ii) Schedule 5.3 (Other Reporting) attached hereto as **Exhibit A** is hereby added to the Credit Agreement as a new Schedule 5.3 thereto.

3. Amendment Fee. In addition to all other fees, costs and expenses payable by Borrowers to Agent and Lenders under the Loan Documents Borrowers shall pay to Agent an amendment fee in the amount of $75,000 (the "**Amendment Fee**"). The Amendment Fee shall be fully earned, due and payable on the date hereof, and shall not be subject to refund or rebate for any reason. Borrowers acknowledge and agree that Agent may, in its sole and absolute discretion, allocate to itself or to any Lender all or any portion of the Amendment Fee.

4. Additional Representation. In addition to the continuing representations, warranties and covenants at any time made by Borrowers to Agent and Lenders pursuant to the Credit Agreement, and the other Loan Documents, Borrowers hereby jointly and severally represent, warrant and covenant with and to Agent and Lenders that, as of the date of this Amendment and after giving effect hereto, no known Default or Event of Default exists or has occurred and is continuing.

5. Release. In consideration of the agreements of Agent and Lenders contained herein and the making of loans by or on behalf of Agent and Lenders to Borrowers pursuant to the Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Borrower on behalf of itself and its successors, assigns, and other legal representatives (the "**Releasing Parties**"), hereby, jointly and severally, absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and each Lender, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives and their respective successors and assigns (Agent, each Lender and all such other parties being hereinafter referred to collectively as the "**Releasees**" and individually as a "**Releasee**"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "**Claim**" and collectively, "**Claims**") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, whether liquidated or unliquidated, matured or unmatured, asserted or unasserted, fixed or contingent, foreseen or unforeseen and anticipated or unanticipated, which any Releasing Party may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any nature, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, in relation to, or in any way in connection with the Credit Agreement, as amended and supplemented through the date hereof, this Amendment and the other Loan Documents. Each Releasing Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

It is the intention of the Releasing Parties that the above release shall be effective as a full and final release of each and every matter specifically and generally referred to above clause (a). Each Releasing Party acknowledges and represents that it has been advised by independent legal counsel with respect to the agreements contained herein and with respect to the provisions of California Civil Code Section 1542, which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER WOULD HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR OR RELEASEE." Each Releasing Party, being aware of said code section, expressly waives on its own behalf and on behalf of those for which such Releasing Party is giving the release, any and all rights either may have thereunder, as well as under any other statute or common law principle of similar effect, with respect to any of the matters released herein. This release shall act as a release of all included claims, rights and causes of action, whether such claims are currently known, unknown, foreseen or unforeseen and regardless of any present lack of knowledge as to such claims. Each Releasing Party understands and acknowledges the significance and consequence of this waiver of California Civil Code Section 1542, and hereby assumes full responsibility for any injuries, damages, losses or liabilities released herein.

6 . Conditions to Effectiveness**.** The effectiveness of this Amendment shall be subject to the receipt by Agent of (a) an original (or electronic copy) of this Amendment duly authorized, executed and delivered by Borrowers and Lenders and (b) an amendment, in form and substance satisfactory to Agent and executed by the Borrowers, to the Guaranty and Security Agreement.

7. Effect of this Amendment**.** Except as modified pursuant hereto, no other changes or modifications to the Credit Agreement are intended or implied and in all other respects the Credit Agreement is hereby specifically ratified, restated and confirmed by all parties hereto as of the date hereof. To the extent of conflict between the terms of this Amendment, on the one hand, and Credit Agreement, on the other hand, the terms of this Amendment shall control.

8. Further Assurances. Borrowers shall execute and deliver such additional documents and take such additional action as may be reasonably requested by Agent to effectuate the provisions and purposes of this Amendment.

9. Binding Effect. This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

1 0 . Governing Law. The rights and obligations hereunder of each of the parties hereto shall be governed by and interpreted and determined in accordance with the internal laws of the State of California (without giving effect to principles of conflict of laws).

1 1 . Counterparts**.** This Amendment may be signed in counterparts, each of which shall be an original and all of which taken together constitute one agreement. In making proof of this Amendment, it shall not be necessary to produce or account for more than one counterpart signed by the party to be charged. Delivery of an executed counterpart of this Amendment electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Amendment.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

BORROWERS:

KINERGY MARKETING LLC,
as a Borrower

By: /s/ Bryon T. McGregor
Name: Bryon T. McGregor
Title: CFO

PACIFIC AG. PRODUCTS, LLC,
as a Borrower

By: /s/ Bryon T. McGregor
Name: Bryon T. McGregor
Title: CFO

AGENT AND LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Agent and sole Lender

By: /s/ Carlos Valles
Name: Carlos Valles
Title: Vice President

EXHIBIT A

Schedule 5.3
Other Reporting

At all times during the Special Period, deliver to Agent (and if so requested by Agent, with copies for each Lender) each of the reports or other items set forth below at the following times in form reasonably satisfactory to Agent:

promptly upon becoming available to Pacific Ethanol Pekin, LLC (but in no event later than ten (10) days after receipt by such Person thereof)	copies all sale offering and marketing materials prepared by the Aurora Marketing Agent(s) (as defined in the Pekin Amendment), and all indications of interest, letters of intent, and written offers for the Aurora Assets, together with such other information regarding any proposed Aurora Assets Transaction as Agent may reasonably request.
within five (5) Business Days after each calendar month end	a written report detailing any changes to the timeline for the marketing and sale of the Aurora Assets and including copies of all indications of interest, letters of intent, and written offers for the Aurora Assets.
Within five (5) Business Days of the closing of any sale or other financing transaction related to any Aurora Assets Transaction	a final report summarizing the use of proceeds and including a closing statement with respect to such transaction.
	It being acknowledged and agreed that all sales reports and marketing information delivered under this Schedule 5.3 shall be subject to the confidentiality provisions set forth in Section 17.9 of the Agreement.

Exhibit 10.8

Pacific Ethanol, Inc. 2019 Short-Term Incentive Plan ("Plan") Description

- *Effective Date*: The Plan was adopted by the compensation committee (the "Compensation Committee") of the board of directors of Pacific Ethanol, Inc. (the "Company") on April 5, 2019.

- *Participants*: The Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Counsel, Vice President of Commodities and Corporate Development and Vice President of Supply and Trading ("Executive Officers"), and other officer, director and manager-level personnel will be eligible to participate in the Plan.

- *Aggregate Plan Pool*: The dollar amount of the aggregate Plan pool will be established by the Compensation Committee.

- *Awards*: Awards under the Plan for Executive Officers will be determined by the Compensation Committee. Awards under the Plan for other officer, director and manager-level personnel will be determined by the Company's executive committee, within the limits of the Plan pool approved by the Compensation Committee.

- *Individual Targets*: The Plan payout targets for Executive Officers will be determined by the Compensation Committee. The Plan payout targets for other officer, director and manager-level personnel will be set as a percentage of a participant's base salary in accordance with compensation policies established by the Company's executive committee or a participant's employment agreement with the Company.

- *Award Components*: Awards under the Plan will be based on two elements: financial performance and individual performance. Company financial performance will be an element in all participants' awards. Each element will be assigned a weighting based upon a participant's role in the Company.

    - The financial performance element will be based on earnings before interest, taxes, depreciation and amortization, adjusted for certain non-cash and other adjustments, such as asset impairments, purchase accounting adjustments and fair value adjustments, established by the Compensation Committee ("Adjusted EBITDA"). An Adjusted EBITDA goal will be established for 2019 by the Compensation Committee. The financial performance element is non-discretionary and will be funded at a rate of 0% to 200% of the participant's targeted payout amount for the element based on the level of actual Adjusted EBITDA compared to the Adjusted EBITDA goal.

    - The individual performance element will be based on individual participant goals based on quantitative criteria and subjective elements established by each participant's supervisor, in consultation with the Company's executive committee. The extent to which a participant will be deemed to have achieved his or her individual performance goals will be determined by the Company's executive committee in consultation with the participant's supervisor; provided, however, that the extent to which a participant who is an Executive Officer will be deemed to have achieved his or her individual performance goals will be recommended by the Company's Chief Executive Officer but ultimately determined by the Compensation Committee. The individual performance element is discretionary and will be funded at a rate of 0% to 100% of the participant's targeted payout amount for the element, but may exceed 100% of the participant's targeted payout amount through a reduction of amounts set aside for other participants in the Plan pool without, however, affecting the overall amount of the Plan pool.

- *Payout Limitations*: The Compensation Committee may establish minimum Company cash and excess liquidity requirements as a condition to any payout under the Plan.

In addition to incentive compensation payable under the Plan, the Company's Compensation Committee retains the authority to grant special discretionary cash and/or equity awards.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Neil M. Koehler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pacific Ethanol, 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.

Date: May 3, 2019

/S/ NEIL M. KOEHLER
Neil M. Koehler
President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bryon T. McGregor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pacific Ethanol, 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.

Date: May 3, 2019

/S/ BRYON T. MCGREGOR
Bryon T. McGregor
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Pacific Ethanol, Inc. (the "Company") for the period ended March 31, 2019 (the "Report"), the undersigned hereby certify in their capacities as Chief Executive Officer and Chief Financial Officer of the Company, respectively, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 3, 2019

By:/S/ NEIL M. KOEHLER
Neil M. Koehler
President and Chief Executive Officer
(Principal Executive Officer)

Dated: May 3, 2019

By:/S/ BRYON T. MCGREGOR
Bryon T. McGregor
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.