SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) **December 15, 2016**

PACIFIC ETHANOL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-21467**	**41-2170618**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

400 Capitol Mall, Suite 2060 Sacramento, California	**95814**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(916) 403-2123**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry Into a Material Definitive Agreement.

Note Purchase Agreement and Contribution Agreement

On December 12, 2016, Pacific Ethanol, Inc. (the "Company") entered into a Note Purchase Agreement (the "Note Purchase Agreement") with 5 accredited investors (the "Investors"). On December 15, 2016, under the terms of the Note Purchase Agreement, the Company sold $55.0 million in aggregate principal amount of its senior secured notes (the "Notes") to the Investors in a private offering (the "Note Transaction") for aggregate gross proceeds of 97% of the principal amount of the Notes sold.

The Notes will mature on December 15, 2019 (the "Maturity Date"). Interest on the Notes will accrue at a rate equal to (i) the greater of 1% and the three-month London Interbank Offered Rate ("LIBOR"), plus 7.0% from the closing through December 14, 2017, (ii) the greater of 1% and LIBOR, plus 9% between December 15, 2017 and December 14, 2018, and (iii) the greater of 1% and LIBOR plus 11% between December 15, 2018 and the Maturity Date. The interest rate will increase 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 such event of default has been cured. Interest shall be payable in cash in arrears on the 15th calendar day of each March, June, September and December beginning on March 15, 2017. The Company is required to pay all outstanding principal and any accrued and unpaid interest on the Notes on the Maturity Date. The Company may, at its option, prepay the Notes at any time without premium or penalty. The Notes contain a variety of events of default which are typical for transactions of this type. The payments due under the Notes will rank senior to all other indebtedness of the Company, other than permitted senior indebtedness. The Notes contain a variety of obligations on the part of the Company not to engage in certain activities, which are typical for transactions of this type, including that (i) the Company and certain of its subsidiaries will not incur other indebtedness, except for certain permitted indebtedness, (ii) the Company and certain of its subsidiaries will not redeem, repurchase or pay any dividend or distribution on their respective capital stock without the prior consent of the holders of the Notes holding 66-2/3% of the aggregate principal amount of the Notes, other than certain permitted distributions, (iii) the Company and certain of its subsidiaries will not sell, lease, assign, transfer or otherwise dispose of any assets of the Company or any such subsidiary, except for certain permitted dispositions (including the sales of inventory or receivables in the ordinary course of business), and (iv) the Company and certain of its subsidiaries will not issue any capital stock or membership interests for any purpose other than to pay down a portion of all of the amounts owed under the Notes and in connection with the Company's stock incentive plans. The Notes are secured by a first-priority security interest in the Company's equity interest in its wholly-owned subsidiary, PE Op. Co. pursuant to the terms of a Security Agreement (the "Note Security Agreement") entered into at closing by and among the Company, the Investors and Cortland Capital Market Services LLC (as collateral agent).

On December 12, 2016, Pacific Ethanol Central, LLC ("PE Central"), a wholly-owned subsidiary of the Company, entered into a Contribution Agreement (the "Contribution Agreement") with Aurora Cooperative Elevator Company, a Nebraska cooperative corporation ("Aurora Coop") and Pacific Aurora, LLC, a Delaware limited liability company ("Pacific Aurora"), pursuant to which, on December 15, 2016, (i) PE Central contributed 100% of the equity interests of its wholly-owned subsidiaries, Pacific Ethanol Aurora East, LLC ("AE") and Pacific Ethanol Aurora West, LLC ("AW") (which own the Company's Aurora East and Aurora West ethanol plants, respectively) to Pacific Aurora in exchange for an 88.15% ownership interest in Pacific Aurora and a certain amount in cash, and (ii) Aurora Coop contributed its elevator and related grain handling assets located in Aurora, Nebraska, to Pacific Aurora in exchange for an 11.85% ownership interest in Pacific Aurora.

Unit Purchase Agreement

On December 15, 2016, PE Central entered into a Unit Purchase Agreement (the "Unit Purchase Agreement") with Aurora Coop pursuant to which PE Central sold a 14.22% ownership interest in Pacific Aurora to Aurora Coop for $30.0 million in cash. Following the closing of the Contribution Agreement and the Unit Purchase Agreement, the Company, through PE Central, owns 73.93% of Pacific Aurora and Aurora Coop owns 26.07% of Pacific Aurora.

Pekin Credit Facility

On December 15, 2016, the Company's wholly-owned subsidiary, Pacific Ethanol Pekin, Inc. ("Pekin"), entered into a Credit Agreement (the "Pekin Credit Agreement") with 1st Farm Credit Services, PCA and CoBank, ACB ("CoBank") (as cash management provider and agent). On December 15, 2016, under the terms of the Pekin Credit Agreement, Pekin borrowed from 1st Farm Credit Services $64.0 million under the terms of a term loan facility that will mature on August 20, 2021 (the "Pekin Term Loan") and $32.0 million under the terms of a revolving term loan facility that will expire on February 1, 2022 (the "Pekin Revolving Loan" and, together with the Pekin Term Loan, the "Pekin Credit Facility"). The Pekin Credit Facility is secured by a first-priority security interest in all of the assets of Pekin under the terms of a Security Agreement, dated December 15, 2016, by and between Pekin and CoBank (the "Pekin Security Agreement"). Interest accrues under the Pekin Credit Facility at a rate equal to the 30-day LIBOR plus 3.75%, payable monthly. Pekin will make quarterly principal payments in the amount of $3.5 million on the Pekin Term Loan beginning on May 20, 2017 followed by a principal payment of $4.5 million on August 20, 2021. Pekin will pay a 0.75% per annum fee on any unused portion of the Pekin Revolving Loan, payable monthly in arrears. Prepayment of the Pekin Credit Facility will be subject to a prepayment penalty. Under the terms of the Pekin Credit Agreement, Pekin will be required to maintain not less than $20.0 million in working capital and an annual debt coverage ratio of not less than 1.25 to 1.0. The Pekin Credit Agreement contains a variety of affirmative covenants, negative covenants and events of default which are customary for transactions of this type.

Pacific Aurora Credit Facility

On December 15, 2016, Pacific Aurora, AW and AE (collectively, the " Aurora Borrowers") entered into a Credit Agreement (the "Pacific Aurora Credit Agreement") with CoBank. Under the terms of the Pacific Aurora Credit Agreement, Pacific Aurora may borrow up to $30.0 million under the terms of a revolving term loan facility from CoBank that will mature on February 1, 2022 (the "Pacific Aurora Credit Facility"). The Pacific Aurora Credit Facility is secured by a first-priority security interest in all of the assets of the Aurora Borrowers under the terms of a Security Agreement, dated December 15, 2016, by and among the Borrowers and CoBank (the "Pacific Aurora Security Agreement"). Availability under the Pacific Aurora Credit Facility will be reduced by $2.5 million on the first day of each June and December beginning on June 1, 2017 through and including December 1, 2020. Interest accrues under the Pacific Aurora Credit Facility at a rate equal to the 30-day LIBOR plus 4.0%, payable monthly. Pacific Aurora will pay a 0.75% per annum fee on any unused portion of the Pacific Aurora Credit Facility, payable monthly in arrears. Prepayment of the Pacific Aurora Credit Facility will be subject to a prepayment penalty. Under the terms of the Pacific Aurora Credit Agreement, Pacific Aurora will be required to maintain not less than $22.5 million in working capital through June 30, 2017, not less than $24.0 million in working capital after June 30, 2017, and a debt coverage ratio of not less than 1.5 to 1.0.

On December 15, 2016, the Company entered into a Working Capital Maintenance Agreement with CoBank, pursuant to which the Company agreed to contribute capital to Pacific Aurora (through PE Central) from time to time to ensure that Pacific Aurora maintains the minimum working capital thresholds required in the Pacific Aurora Credit Agreement (the "Working Capital Maintenance Agreement"). The Pacific Aurora Credit Agreement contains a variety of affirmative covenants, negative covenants and events of default which are customary for transactions of this type.

Use of Proceeds

On December 15, 2016, the Company used the borrowings under the Pekin Credit Facility together with the $30.0 million received from the sale of interests under the Unit Purchase Agreement and approximately $32.5 million of the net proceeds received under the Note Purchase Agreement to repay the approximately $158.5 million owed under the terms of the Amended and Restated Senior Secured Term Loan Credit Agreement dated September 24, 2012 among PE Central, the lenders from time to time party thereto, and Citibank, N.A.

The descriptions of the Note Purchase Agreement, the Notes, the Note Security Agreement, the Unit Purchase Agreement, the Contribution Agreement, the Pekin Credit Agreement, the Pekin Security Agreement, the Pacific Aurora Credit Agreement, the Pacific Aurora Security Agreement and the Working Capital Maintenance Agreement do not purport to be complete and are qualified in their entirety by reference to the copies of such agreements filed as exhibits to this Current Report on Form 8-K and incorporated herein by reference. Readers should review those agreements for a complete understanding of the terms and conditions associated with the transactions described in this Current Report on Form 8-K.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On December 15, 2016, the Company sold $55.0 million in aggregate principal amount of its Notes pursuant to the terms of the Note Purchase Agreement, as described above under Item 1.01. The disclosures regarding the Notes and the Note Purchase Agreement contained above under Item 1.01 are incorporated herein by reference.

On December 15, 2016, Pekin obtained a credit facility by entering into the Pekin Credit Agreement, as described above under Item 1.01. The disclosures regarding the Pekin Credit Facility contained above under Item 1.01 are incorporated herein by reference.

On December 15, 2016, the Aurora Borrowers obtained a credit facility by entering into the Pacific Aurora Credit Agreement, as described above under Item 1.01. The disclosures regarding the Pacific Aurora Credit Facility contained above under Item 1.01 are incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Number	Description
10.1	Contribution Agreement, dated December 12, 2016, by and among Pacific Ethanol Central, LLC, Aurora Cooperative Elevator Company and Pacific Aurora, LLC (#) (*)
10.2	Note Purchase Agreement, dated December 12, 2016, by and among Pacific Ethanol, Inc. and the investors party thereto (#) (*)
10.3	Form of Senior Secured Note for an aggregate principal amount of $55 million issued on December 15, 2016 pursuant to the Note Purchase Agreement, dated December 12, 2016, by and among Pacific Ethanol, Inc. and the investors party thereto (**)
10.4	Security Agreement, dated December 15, 2016, by and among Pacific Ethanol, Inc., Cortland Capital Market Services LLC and the holders of Pacific Ethanol, Inc.'s Senior Secured Notes (#) (**)
10.5	Credit Agreement, dated December 15, 2016, by and among Pacific Ethanol Pekin, Inc., 1st Farm Credit Services, PCA and CoBank, ACB (#) (**)
10.6	Security Agreement, dated December 15, 2016, by and between Pacific Ethanol Pekin, Inc. and CoBank, ACB (#) (**)
10.7	Credit Agreement, dated December 15, 2016, by and among Pacific Aurora, LLC, Pacific Ethanol Aurora West, LLC, Pacific Ethanol Aurora East, LLC and CoBank, ACB (#) (**)
10.8	Security Agreement, dated December 15, 2016, by and among Pacific Aurora, LLC, Pacific Ethanol Aurora West, LLC, Pacific Ethanol Aurora East, LLC and CoBank, ACB (#) (**)
10.9	Working Capital Maintenance Agreement, dated December 15, 2016, by and between Pacific Ethanol, Inc. and CoBank, ACB (#) (**)

(#) Certain of the agreements filed as exhibits to this report 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.

(*) Filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2016.

(**) Filed herewith.

SIGNATURE

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 hereunto duly authorized.

Date: December 20, 2016

PACIFIC ETHANOL, INC.

By: /S/ CHRISTOPHER W. WRIGHT
Christopher W. Wright
Vice President, General Counsel and Secretary

EXHIBITS FILED WITH THIS REPORT

Number	Description
10.3	Form of Senior Secured Note for an aggregate principal amount of $55 million issued on December 15, 2016 pursuant to the Note Purchase Agreement, dated December 12, 2016, by and among Pacific Ethanol, Inc. and the investors party thereto
10.4	Security Agreement, dated December 15, 2016, by and among Pacific Ethanol, Inc., Cortland Capital Market Services LLC and the holders of Pacific Ethanol, Inc.'s Senior Secured Notes (#)
10.5	Credit Agreement, dated December 15, 2016, by and among Pacific Ethanol Pekin, Inc., 1st Farm Credit Services, PCA and CoBank, ACB (#)
10.6	Security Agreement, dated December 15, 2016, by and between Pacific Ethanol Pekin, Inc. and CoBank, ACB (#)
10.7	Credit Agreement, dated December 15, 2016, by and among Pacific Aurora, LLC, Pacific Ethanol Aurora West, LLC, Pacific Ethanol Aurora East, LLC and CoBank, ACB (#)
10.8	Security Agreement, dated December 15, 2016, by and among Pacific Aurora, LLC, Pacific Ethanol Aurora West, LLC, Pacific Ethanol Aurora East, LLC and CoBank, ACB (#)
10.9	Working Capital Maintenance Agreement, dated December 15, 2016, by and between Pacific Ethanol, Inc. and CoBank, ACB (#)

(#) Certain of the agreements filed as exhibits to this report 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.

Exhibit 10.3

Form of Note

THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO AN EXEMPTION. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES. ANY TRANSFEREE OF THIS NOTE SHOULD CAREFULLY REVIEW THE TERMS OF THIS NOTE, INCLUDING SECTION 8 HEREOF.

Pacific Ethanol, Inc.

Senior Secured Note

Note No.: D16-___

Issuance Date: December 15, 2016 $[●]

FOR VALUE RECEIVED, Pacific Ethanol, Inc., a Delaware corporation (the "**Company**"), hereby promises to pay to the order of [INVESTOR] or its registered assigns ("**Holder**") the amount set out above (as reduced pursuant to the terms hereof pursuant to redemption or otherwise, the "**Principal**") when due, whether upon the Maturity Date, acceleration, redemption or otherwise (in each case in accordance with the terms hereof) and to pay interest ("**Interest**") on any outstanding Principal (as defined above) at the applicable Interest Rate (as defined below) from the date set out above as the Issuance Date (the "**Issuance Date**") until the same becomes due and payable, whether upon the Maturity Date, acceleration, redemption or otherwise (in each case in accordance with the terms hereof). This Senior Secured Note (including all Senior Secured Notes issued in exchange, transfer or replacement hereof, this "**Note**") is one of an issue of Senior Secured Notes issued pursuant to the Purchase Agreement (as defined below) on the Issuance Date (collectively, the "**Notes**" and such other Senior Secured Notes, the "**Other Notes**"). Certain capitalized terms used herein are defined in Section 19.

THE OBLIGATIONS DUE UNDER THIS SENIOR SECURED NOTE ARE SECURED BY A SECURITY AGREEMENT (THE "SECURITY AGREEMENT") DATED AS OF THE ISSUANCE DATE AND EXECUTED BY THE COMPANY FOR THE BENEFIT OF THE HOLDER. ADDITIONAL RIGHTS OF THE HOLDER ARE SET FORTH IN THE SECURITY AGREEMENT.

1. PAYMENTS OF PRINCIPAL.

1.1 On the Maturity Date, the Company shall pay to the Holder an amount in cash representing all outstanding Principal, all accrued and unpaid Interest and accrued and all other unpaid amounts hereunder. Any such payment shall be applied pro rata to the Note and the Other Notes in accordance with the respective Principal amounts thereof.

1.2 The Company may, at its sole option, at any time prepay this Note, without premium or penalty, in whole or in part, on one (1) Business Day's prior written notice to the Holder, at a prepayment price equal to the amount of outstanding Principal so to be prepaid, together with accrued and unpaid Interest on such Principal, if any, through the date of such prepayment. Any such payment shall be applied pro rata to the Note and the Other Notes in accordance with the respective Principal amounts thereof.

2. INTEREST; INTEREST RATE. Interest on this Note shall accrue at the applicable Interest Rate and shall commence accruing on the Issuance Date and Interest shall be computed on the basis of a 360-day year and twelve 30-day months and shall be payable in cash to the record Holder in arrears on March 15, June 15, September 15 and December 15 of each calendar year, beginning with March 15, 2017 and ending on the repayment of the Note. From and after the occurrence and during the continuance of any Event of Default, the applicable Interest Rate shall automatically be increased by two percent (2%) per annum above the Interest Rate otherwise applicable in accordance with the terms hereof, and all such interest shall be payable on demand. In the event that such Event of Default is subsequently cured, the adjustment referred to in the preceding sentence shall cease to be effective as of the date of such cure, provided that the Interest as calculated and unpaid at such increased rate during the continuance of such Event of Default shall continue to apply to the extent relating to the days after the occurrence of such Event of Default through and including the date of such cure of such Event of Default.

3. RIGHTS UPON EVENT OF DEFAULT.

3.1 Event of Default. Each of the following events shall constitute an "**Event of Default**":

(a) the Company's failure to pay to the Holder any amount of Principal, Interest, or other amounts when and as due under this Note, the Security Agreement or the Purchase Agreement, except, in the case of a failure to pay Interest or other non-Principal amounts when and as due, in which case only if such failure remains uncured for a period of at least five (5) days;

(b) bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors shall be instituted by or against the Company or any Subsidiary and, if instituted against the Company or any Subsidiary by a third party, shall not be dismissed within sixty (60) days of their initiation;

(c) the commencement by the Company or any Subsidiary of a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree, order, judgment or other similar document in respect of the Company or any Subsidiary in an involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal, state or foreign law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Company or any Subsidiary in furtherance of any such action or the taking of any action by any Person to commence a UCC foreclosure sale or any other similar action under federal, state or foreign law or of any substantial part of the Company's property or any substantial part of any Subsidiary's property;

(d) the entry by a court of (i) a decree, order, judgment or other similar document in respect of the Company or any Subsidiary of a voluntary or involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or (ii) a decree, order, judgment or other similar document adjudging the Company or any Subsidiary as bankrupt or insolvent, or approving as properly filed a petition seeking liquidation, reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under any applicable federal, state or foreign law or (iii) a decree, order, judgment or other similar document appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree, order, judgment or other similar document or any such other decree, order, judgment or other similar document unstayed and in effect for a period of thirty (30) consecutive days;

(e) a final judgment, judgments, any arbitration or mediation award or any settlement of any litigation or any other satisfaction of any claim made by any Person pursuant to any litigation, as applicable, (each a "**Judgment**", and collectively, the "**Judgments**") with respect to the payment of cash, securities and/or other assets with an aggregate fair market value in excess of $2,000,000 are rendered against, agreed to or otherwise accepted by, the Company and/or any of its Subsidiaries and which Judgments are not, within thirty (30) days after the entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within thirty (30) days after the expiration of such stay; provided, however, that any Judgment which is covered by insurance or an indemnity from a credit worthy party shall not be included in calculating the $2,000,000 amount set forth above so long as the Company provides the Holder written evidence of such insurance coverage or indemnity (which evidence shall be reasonably satisfactory to the Holder) to the effect that such Judgment is covered by insurance or an indemnity and the Company or such Subsidiary (as the case may be) will receive the proceeds of such insurance or indemnity prior to the later of (i) thirty (30) days after the issuance of such Judgment or (ii) any requirement to pay such Judgment;

(f) the Company and/or any Subsidiary, individually or in the aggregate, fails to pay, when due, or within any applicable grace period, any payment with respect to any Indebtedness in excess of $2,000,000 due to any third party or is otherwise in breach or violation of any agreement for monies owed or owing in an amount in excess of $2,000,000, which breach or violation results in the acceleration of amounts due thereunder or permits the other party thereto to accelerate amounts due thereunder;

(g) any breach or failure in any respect by the Company to comply with any provision of this Note or any other Transaction Document for thirty (30) days after delivery to the Company of notice of such breach or failure by or on behalf of a Secured Party (as defined in the Security Agreement) or the Agent (as defined in the Security Agreement) or thirty (30) days after an officer of the Company has knowledge of such breach or failure, unless such default is capable of cure but cannot be cured within such time frame and the Company is using best efforts to cure the same in a timely manner;

(h) any Material Adverse Change occurs (other than any Excluded Event) and is not otherwise cured within thirty (30) days of written notice thereof by the Required Holders;

(i) any provision of any Transaction Document (shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability thereof shall be contested by any party thereto, or a proceeding shall be commenced by the Company or any Subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or the Company or any Subsidiary shall deny in writing that it has any liability or obligation purported to be created under any Transaction Document to which it is a party, or any Lien created by the Security Agreement ceases to be enforceable and of the same effect and priority purported to be created thereby, other than as expressly permitted thereunder or thereunder;

(j) any Fundamental Transaction occurs without the written consent of the Required Holders;

(k) any Event of Default (as defined in the Security Agreement) occurs with respect to the Security Agreement;

(l) any Event of Default (as defined in the Other Notes) occurs with respect to any Other Notes;

(m) any representation, warranty, certification or other statement of fact made or deemed made by or on behalf of the Company herein or in any other Transaction Document proves to have been false or misleading in any material respect on or as of the date made or deemed made; or

(n) any Subordinated Indebtedness cease for any reason to be validly subordinated to the Indebtedness evidenced by this Note, or the Company, any Subsidiary or any holder thereof (or its trustee or agent) so asserts.

Upon the occurrence of an Event of Default with respect to this Note or any Other Note, the Company shall promptly deliver written notice thereof via facsimile and overnight courier (with next day delivery specified) (an "**Event of Default Notice**") to the Holder.

Notwithstanding anything to the contrary set forth above or elsewhere herein, the following Indebtedness and obligations, and any defaults with respect thereto, shall not constitute an Event of Default under Section 3.1(f) above: (i) any payments contested by the Company and/or such Subsidiary (as the case may be) in good faith by proper proceedings and with respect to which adequate reserves have been set aside for the payment thereof in accordance with GAAP and, with respect to any subsidiary, such default is otherwise resolved in a manner which does not result in a Material Adverse Change; and (ii) with respect to any Subsidiary, any default with respect to a non-recourse obligation and such default does not otherwise result in a Material Adverse Change.

3.2 If an Event of Default (other than an Event of Default specified in Section 3.1(b), (c) or (d) above) occurs, then the Holder may, by written notice to the Company, declare this Note to be forthwith due and payable, as to Principal, Interest and any other amounts due hereunder, whereupon this Note shall become forthwith due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company. If any Event of Default specified in Section 3.1(b), (c) or (d) above occurs, the Principal of and accrued Interest on this Note shall automatically forthwith become due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Company.

3.3 If any Event of Default occurs and is continuing, the Holder may pursue any available remedy to collect the payment of Principal, Interest and any other amounts due under this Note or to enforce the performance of any provision of this Note. If an Event of Default occurs and is continuing, the holder of this Note may proceed to protect and enforce its rights by an action at law, suit in equity or other appropriate proceeding. No course of dealing and no delay on the part of the holder of this Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Note upon the holder hereof shall be exclusive of any other right, power or remedy referred to herein or now or hereafter available at law, in equity, by statute or otherwise.

4. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its certificate of incorporation, bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note.

5. COVENANTS. Until all of the Notes have been redeemed or otherwise satisfied in accordance with their terms:

5.1 Rank. All payments due under this Note (a) shall rank *pari passu* with all Other Notes and (b) shall be senior to all other Indebtedness of the Company (excluding any other Permitted Indebtedness of the Company).

5.2 Incurrence of Indebtedness. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, incur or guarantee, assume or suffer to exist any Indebtedness (other than (i) the Indebtedness evidenced by this Note and the Other Notes and (ii) Permitted Indebtedness).

5.3 Existence of Liens. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, allow or suffer to exist any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets owned by the Company or any of its Subsidiaries (collectively, "**Liens**") other than Permitted Liens.

5.4 Restricted Payments. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness (other than Permitted Payments with respect to any Permitted Indebtedness), whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness if at the time such payment is due or is otherwise made or, after giving effect to such payment, (i) an event constituting an Event of Default has occurred and is continuing or (ii) an event that with the passage of time and without being cured would constitute an Event of Default has occurred and is continuing.

5.5 Restriction on Redemption and Cash Dividends. Except for any Permitted Distributions, the Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, redeem, repurchase or pay any cash dividend or distribution on any of its capital stock without the prior express written consent of the Required Holders.

5.6 Restriction on Transfer of Assets. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, sell, lease, license, assign, transfer, convey or otherwise dispose of any assets or rights of the Company or any Subsidiary owned or hereafter acquired whether in a single transaction or a series of related transactions, other than (i) sales, leases, licenses, assignments, transfers, conveyances and other dispositions of such assets or rights by the Company and its Subsidiaries that are in the ordinary course of their respective businesses and, after giving effect thereto, would not result in a Material Adverse Change, (ii) sales of product, inventory or receivables in the ordinary course of business, or (iii) Permitted Payments.

5.7 Change in Nature of Business. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, engage in any material line of business substantially different from those lines of business conducted by the Company and each of its Subsidiaries on the Issuance Date or any business substantially related or incidental thereto. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, modify its or their corporate structure or purpose in any material respect.

5.8 Preservation of Existence, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its existence, rights and privileges, and become or remain, and cause each of its Subsidiaries to become or remain, duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

5.9 Maintenance of Properties, Etc. The Company shall maintain and preserve in all material respects, and cause each of its Subsidiaries to maintain and preserve in all material respects, all of its properties which are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply, and cause each of its Subsidiaries to comply, at all times with the provisions of all material leases to which it is a party as lessee or under which it occupies property, so as to prevent any material loss or forfeiture thereof or thereunder.

5.10 Maintenance of Insurance. The Company shall maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations (including, without limitation, comprehensive general liability, hazard, rent and business interruption insurance) with respect to its properties (including all real properties leased or owned by it) and business, in such amounts and covering such risks as is required by any governmental authority having jurisdiction with respect thereto or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated.

5.11 Equity Issuances. The Company shall not, and the Company shall cause each of its applicable Subsidiaries to not, issue additional capital stock or membership interests, as the case may be, for any purpose other than (i) to pay down a portion or all of the amounts owned under the Notes, and (ii) shares of the Company's Common Stock issued to directors, officers or employees of the Company or its Subsidiaries (including the Excluded Subsidiaries) in their capacity as such pursuant to the Company's stock incentive plans.

5.12 Investments in Subsidiaries. Except for any Permitted Investments, the Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, lend money or credit (by way of guarantee or otherwise) or make advances to any Excluded Subsidiary.

5.13 Delivery of Financial Statements; Information. If the Company is no longer required to file with the Securities and Exchange Commission (the "**SEC**") quarterly and annual reports, including financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K, so long as any Principal or Interest is outstanding under this Note, the Company shall furnish to the Holder such reports within 15 days after it would be required to file them with the SEC in substantially the form as would be required to file with the SEC if it were required to do so. The Company shall furnish such other information respecting the business, condition (financial or otherwise), operations, performance, properties or prospects of the Company and its subsidiaries as the Holder may reasonably request.

5.14 Transactions with Affiliates. The Company shall not, and the Company shall cause each of its Subsidiaries not to, directly or indirectly, enter into or be a party to any transaction, including any purchase, sale, lease, exchange or transfer of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Holder or holders of any Other Notes and their respective Affiliates) unless such transaction is on fair and reasonable terms and conditions no less favorable to Company or the relevant Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction on an arm's length basis from an unrelated Person.

6. AMENDING THE TERMS OF THIS NOTE. No provision of this Note may be modified or amended without the prior written consent of the Required Holders and the Company and upon such due modification or amendment, such modification or amendment shall apply to the Note and all of the Other Notes; provided, however, that (a) no such modification or amendment shall, without the consent of the Holder hereunder, change the stated maturity date of this Note, or reduce the principal amount hereof, or reduce the rate or extend the time of payment of any interest hereon, or reduce any amount payable on redemption or prepayment hereof, impair or affect the right of the Holder to receive payment of principal of, and interest on, the Notes or to institute suit for payment thereof, or impair or affect the right of the Holder to receive any other payment provided for under this Note, or change the definition of Required Holders, or change the pro rata sharing provisions of this Note and (b) the Holder hereunder may waive, reduce or excuse, or forbear from the exercise of any rights and remedies with respect to, any Event of Default under this Note without notice to or the consent of any holder of any of the Other Notes.

7. TRANSFER. This Note may be offered, sold, assigned or transferred by the Holder in whole or in part, subject only to the provisions of the restrictive legend set forth at the top of the first page of this Note; provided that, so long as no Event of Default has occurred and is continuing, any such sale, assignment or transfer shall be subject to the prior written consent of the Company, which consent shall not be unreasonably withheld, delayed or conditioned; provided, further, that any partial offer, sale, assignment or transfer of this Note shall be in a principal amount not less than $500,000.

8. REISSUANCE OF THIS NOTE.

8.1 Transfer. If this Note is to be transferred as permitted under Section 7 above, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note (in accordance with Section 8.3), registered as the Holder may request.

8.2 Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note (in accordance with Section 8.3) representing the outstanding Principal.

8.3 Issuance of New Notes. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i) shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding, (iii) shall have an issuance date, as indicated on the face of such new Note, which is the same as the Issuance Date of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued and unpaid Interest on the Principal and Interest of this Note, from the Issuance Date.

9. REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note, under the Security Agreement, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Note or any other Transaction Document. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Note (including, without limitation, compliance with Section 5).

10. PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, without limitation, attorneys' fees and disbursements.

11. CONSTRUCTION; HEADINGS. This Note shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note. Terms used in this Note but defined in the other Transaction Documents shall have the meanings ascribed to such terms on the Issuance Date in such other Transaction Documents unless otherwise consented to in writing by the Holder.

12. FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

13. NOTICES; CURRENCY; PAYMENTS.

13.1 Notices. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in accordance with Section 6.5 of the Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefore.

13.2 Currency. All principal, interest and other amounts owing under this Note that, in accordance with the terms hereof, are paid in cash shall be paid in U.S. dollars. All amounts denominated in other currencies shall be converted to the U.S. dollar equivalent amount in accordance with the Exchange Rate on the date of calculation. "**Exchange Rate**" means, in relation to any amount of currency to be converted into U.S. dollars pursuant to this Note, the U.S. dollar exchange rate as published in *The Wall Street Journal* on the relevant date of calculation (it being understood and agreed that where an amount is calculated with reference to, or over, a period of time, the date of calculation shall be the final date of such period of time).

13.3 Payments. Whenever any payment of cash is to be made by the Company to any Person pursuant to this Note, unless otherwise expressly set forth herein, such payment shall be made in lawful money of the United States of America by wire transfer of immediately available funds in accordance with the Holder's wire transfer instructions. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day, the same shall instead be due on the next succeeding day which is a Business Day, with interest accruing until paid.

14. DISCLOSURE.

14.1 In connection with information that is either required or permitted to be disclosed to the Holder in such Holder's capacity as the holder of this Note, on the date such information is to be disclosed, the Company may provide the Holder with such information; provided either that (i) such information does not contain Non-Public Information, or (ii) if such information does contain Non-Public Information, such information is Consented Information (as defined below).

14.2 If any such information to be disclosed contains Non-Public Information, the Company shall provide to the Holder a written notice (which notice shall, for the avoidance of doubt, not contain or constitute Non-Public Information), containing the following information: (A) a statement as to whether the information is required to be disclosed under the terms of this Note, (B) if the information is not so required to be disclosed, a statement that the Company or other applicable Person desires voluntarily to disclose such information, (C) a general description of such information (which description shall not include, and shall not constitute, Non-Public Information), (D) a statement as to whether the Holder is required or permitted to take some specific action as a lender under this Note, (E) a statement that such information contains Non-Public Information, and (F) a statement seeking the consent of the Holder to receive such Non-Public Information. Within two (2) Business Days of the date of the notice contemplated in the preceding sentence, the Holder shall advise the Company in writing whether it consents to the receipt of such Non-Public Information (any information for which such consent is provided, **"Consented Information"**).

14.3 In the event any Non-Public Information is provided to the Holder by the Company, the Company shall promptly and in compliance with applicable law publicly disclose such Non-Public Information on a Current Report on Form 8-K or otherwise, within four (4) Business Days of (or such other period of time as may be expressly agreed to in writing by the Investor and the Company in connection with such disclosure) the disclosure thereof to the Holder (provided that the Company shall provide the Holder a draft of each such Form 8-K at least two (2) Business Days prior to filing thereof). If the Company fails to disclose any Non-Public Information in accordance with the immediately preceding sentence, the Holder may publicly disclose such information by issuing a press release containing such information, or otherwise, within one Business Day of providing Notice to the Company of such intended disclosure. The Holder shall have no liability to the Company, any of its Subsidiaries, or any of its or their respective officers, directors, employees, stockholders or agents, for any such disclosure.

14.4 In no event shall the Company intentionally provide the Holder with any Non-Public Information without the prior written consent of the Holder. In the absence of any written notice that information provided by the Company contains Non-Public Information, the Holder may presume that such information (including the notice of such information) does not constitute Non-Public Information.

15. CANCELLATION. After all Principal, accrued Interest and other amounts at any time owed on this Note have been paid in full (a) this Note shall automatically be deemed canceled without any action by or notice to Holder or Company and (b) the Holder shall promptly mark this Note as cancelled, shall promptly surrender this Note to the Company and this Note shall not be reissued.

16. WAIVER OF NOTICE. Except for the notices specifically required by this Note or any other Transaction Document, to the extent permitted by applicable law, the Company hereby irrevocably waives demand, notice, presentment, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Purchase Agreement.

17. GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of this Note. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court ruling in favor of the Holder. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY.**

18. MAXIMUM PAYMENTS. Nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Holder and thus refunded to the Company.

19. CERTAIN DEFINITIONS. For purposes of this Note, the following terms shall have the following meanings:

19.1 "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

19.2 "**Common Stock**" means (i) the Company's shares of common stock, $0.001 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

19.3 "**Contingent Obligation**" means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

19.4 "**Excluded Events**" means (i) changes in the national or world economy or financial markets as a whole, (ii) changes in general economic conditions taken as a whole that affect the industries in which the Company and its Subsidiaries conduct their business, (iii) acts of terrorism or war, including the engagement by the United States of America or any other country in hostilities, and whether or not pursuant to the declaration of a national emergency or war, or any earthquakes, hurricanes or other natural disasters, and (iv) any financial statement impact of the transactions contemplated by the Transaction Documents.

19.5 "**Excluded Subsidiaries**" means Kinergy Marketing LLC, Pacific Ag. Products, LLC, Pacific Ethanol Development, LLC, Pacific Ethanol Central, LLC, Pacific Ethanol Pekin, Inc., Pacific Ethanol Canton, LLC, Pacific Ethanol Aurora West, LLC, Pacific Ethanol Aurora East, LLC and Pacific Aurora, LLC and each of their respective Subsidiaries.

19.6 "**Fundamental Transaction**" means that (A) the Company or any of its Subsidiaries shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company or any of its Subsidiaries is the surviving corporation) another Person or Persons, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its Subsidiaries to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (iv) consummate a securities purchase or business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such securities purchase agreement or other business combination), or (v) reorganize, recapitalize or reclassify the Voting Stock of the Company or (B) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% of the aggregate Voting Stock of the Company.

19.7 "**GAAP**" means United States generally accepted accounting principles, consistently applied.

19.8 "**Indebtedness**" of any Person means, without duplication (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (including, without limitation, "capital leases" in accordance with generally accepted accounting principles) (other than trade payables entered into in the ordinary course of business), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with generally accepted accounting principles, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any equity interests in such Person or any other Person or any warrants, rights or options to acquire such equity interests, valued, in the case of redeemable preferred interests, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (H) all indebtedness referred to in clauses (A) through (G) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, claim, lien, tax, right of first refusal, encumbrance, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (I) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (H) above.

19.9 "**Interest Rate**" means a rate per annum equal to the 3-month London Interbank Offered Rate ("**LIBOR**"), plus 7.0% (the "**Interest Rate Spread**"); provided, however, that on December 15, 2017 and December 15, 2018, the "Interest Rate Spread" shall be increased to 9.0% and 11.0%, respectively, and; provided, further, that if at any time during the term of this Note LIBOR is less than 1.0% per annum, the "Interest Rate" shall equal 1.0% plus the amount of the then current "Interest Rate Spread." The "Interest Rate" shall in all cases be subject to adjustment as set forth in Section 2.

19.10 "**Material Adverse Change**" shall mean any set of circumstances or events which occur, arise or otherwise take place from and after the Issuance Date which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Note or any other Transaction Document, (b) is or could reasonably be expected to be material and adverse to the business properties, assets, financial condition, results of operations or prospects of the Company or the Company and any of Subsidiaries on a collective basis, (c) impairs materially or could reasonably be expected to impair materially the ability of the Company to duly and punctually pay or perform any its obligations under this Note or any other Transaction Document, or (d) materially impairs or could reasonably be expected to materially impair the ability of Holder or, in the case of the Security Agreement, the Agent (as defined therein), to the extent permitted, to enforce its legal rights and remedies pursuant to this Note or any other Transaction Document.

19.11 "**Maturity Date**" shall mean December 15, 2019.

19.12 "**Non-Public Information**" means material, non-public information relating to the Company.

19.13 "**Permitted Distributions**" means (a) dividends by Subsidiaries of the Company to the Company or other Subsidiaries of the Company, and (b) current quarterly dividends required to be paid by the Company with respect to the Company's Series B Cumulative Convertible Preferred Stock pursuant to the organizational documents of the Company as in effect as of the Issuance Date on the Company. For the avoidance of doubt, to the extent that payment thereof is in the form of Common Stock, payment of previously accrued and unpaid dividends with respect to the Company's Series B Cumulative Convertible Preferred Stock outstanding as of the Issuance Date shall be deemed to be "Permitted Distributions".

19.14 "**Permitted Indebtedness**" means (i) Indebtedness evidenced by this Note and the Other Notes; (ii) Indebtedness of any Excluded Subsidiary, (iii) any Indebtedness secured by a Permitted Lien (other than Indebtedness referred to in clause (iv) of the definition of "Permitted Lien"), (iv) Indebtedness incurred by the Company that is made expressly subordinate in right of payment to the Indebtedness evidenced by this Note, as reflected in a written agreement acceptable to the Holder and approved by the Holder in writing, and which Indebtedness does not provide at any time for (1) the payment, prepayment, repayment, repurchase or defeasance, directly or indirectly, of any principal or premium, if any, thereon until ninety-one (91) days after the Maturity Date or later and (2) total interest and fees at a rate in excess of ten percent (10%) per annum (collectively, the "**Subordinated Indebtedness**"); provided, that in the aggregate outstanding at any time, such Subordinated Indebtedness does not exceed $30,000,000, (v) Indebtedness of the Company or any of its Subsidiaries and Excluded Subsidiaries existing on the Issuance Date, (vi) such other trade and operating Indebtedness incurred in the ordinary course of business by the Company (including any of the Company's Subsidiaries and Excluded Subsidiaries), including without limitation, unsecured trade debt, financing with respect to the acquisition or lease of equipment and financing of insurance premiums; provided that in the aggregate outstanding at any time, such Indebtedness does not exceed the greater of $2,000,000 or three-quarters of one percent (0.75%) of total assets as reported in the Company's most recent publicly filed Form 10-K or 10-Q reports, and (vii) the Company's Series B Cumulative Convertible Preferred Stock outstanding on the date hereof.

19.15 "**Permitted Investments**" means (i) investments existing on the date hereof (inclusive of the investment in the Excluded Subsidiaries in the amount of $25,000,000 being made in part with the proceeds of the Notes), and (ii) additional investments in the Excluded Subsidiaries that in the aggregate outstanding at any time do not exceed $30,000,000.

19.16 "**Permitted Liens**" means (i) any Lien for taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, (ii) any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent, (iii) any Lien created by operation of law, such as materialmen's liens, mechanics' liens and other similar liens, arising in the ordinary course of business with respect to a liability that is not yet due or delinquent or that are being contested in good faith by appropriate proceedings, (iv) Liens securing financing obtained in the ordinary course of the Company's operations, including financing with respect to the acquisition or lease of equipment and financing of insurance premiums; provided, that (A) such Liens are solely upon and confined solely to the equipment, unearned insurance premiums or other asset or assets being acquired by such financing and (B) in the aggregate, the Indebtedness secured by such liens does not exceed the greater of $2,000,000 or three-quarters of one percent (0.75%) of total assets as reported in the Company's most recent publicly filed Form 10-K or 10-Q reports, (v) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clause (iv) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced does not increase, and (vi) any Lien on the assets or properties of the Excluded Subsidiaries.

19.17 "**Permitted Payments**" means any payments, distributions or transfers with respect to (i) any Permitted Indebtedness (in the case of Subordinated Indebtedness, to the extent permitted by the relevant subordination or intercreditor agreement) and (ii) any Permitted Distributions.

19.18 "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

19.19 "**Purchase Agreement**" means the Note Purchase Agreement, dated as of December 12, 2016, by and among the Company, the Holder, and each other "Investor" (as defined therein) as amended, restated or otherwise modified from time to time.

19.20 "**Required Holders**" means the holders of Notes representing at least 66 2/3% of the aggregate principal amount of the Notes then outstanding (excluding any Notes held by the Company or any of its Subsidiaries).

19.21 "**Subsidiary**" means any Person in which the Company, directly or indirectly, (I) owns any of the outstanding capital stock or holds any equity or similar interest of such Person or (II) controls or operates all or any part of the business, operations or administration of such Person; provided that, for purposes of this Note, the term "Subsidiary" shall expressly exclude the Excluded Subsidiaries.

19.22 "**Transaction Documents**" means this Note, the Other Notes, the Security Agreement and each Purchase Agreement, together with any amendments, restatements, extensions or other modification thereto.

19.23 "**Voting Stock**" means voting equity interests.

FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT ON THE ISSUANCE DATE OF THIS NOTE. THE COMPANY AGREES TO PROVIDE PROMPTLY TO EACH HOLDER OF THIS NOTE, UPON WRITTEN REQUEST (1) THE ISSUE PRICE, (2) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT AND (3) THE YIELD TO MATURITY OF THIS NOTE. ANY SUCH WRITTEN REQUEST SHOULD BE SENT TO THE COMPANY AT THE FOLLOWING ADDRESS: 400 CAPITOL MALL, SUITE 2060, SACRAMENTO, CA 95814, ATTN: BRYON T. MCGREGOR, CFO.

[signature page follows]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the first date set forth above.

PACIFIC ETHANOL, INC.

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

[Signature Page to Senior Secured Note]

AGREED AND ACCEPTED:
HOLDER:

CORTLAND CAPITAL MARKET SERVICES LLC

By: _____
Name:
Title:

[Holder Acknowledgement of Senior Secured Note]

Exhibit 10.4

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (as amended, restated, supplemented or otherwise modified from time to time, this "**Agreement**"), is made by and among Pacific Ethanol, Inc., a Delaware corporation (the "**Company**"), each Holder (as defined below) (each, a "**Secured Party**" and collectively, the "**Secured Parties**") and Cortland Capital Market Services LLC, as collateral agent for itself and the Secured Parties (in such capacity, together with its successors and permitted assigns in such capacity, the "**Agent**"), effective as of December 15, 2016.

R E C I T A L S :

A. The Company and each Holder are parties to a Note Purchase Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, including amendments and restatements thereof in its entirety, the "**Purchase Agreement**"), pursuant to which the Company will issue or has issued, and the Holders will purchase or have purchased on a several basis, up to $55,000,000 in aggregate principal amount of senior secured notes due December 15, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "**Notes**").

B. The Notes shall be secured by a first-priority security interest in all of the Company's equity interest in PE OP CO., a Delaware corporation (the "**Issuer**").

C. The Company owns one hundred percent of the issued and outstanding shares of common stock, $0.001 par value per share, of the Issuer as set forth on Schedule I attached hereto opposite the Company's name, as such Schedule I may be updated or modified from time to time.

D. As a condition to entering into the Purchase Agreement with the Company, the Holders have required, among other things, that the Company shall have made the pledge and hypothecation contemplated by this Agreement.

NOW, THEREFORE, in consideration of the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the meanings set forth in this Section 1. Terms used but not otherwise defined in this Agreement that are defined in Article 9 of the UCC (such as "control", "investment property", "proceeds" and "records") shall have the respective meanings given such terms in Article 9 of the UCC. Capitalized terms used but not otherwise defined in this Agreement shall have the meanings ascribed to them in the Purchase Agreement (including in the form of Note attached thereto as Exhibit B).

(a) "**Agent Fee Letter**" means that certain Agent Fee Letter, dated as of December 15, 2016, made by and between the Company and the Agent, as amended, restated, supplemented or otherwise modified from time to time.

(b) "**Collateral**" means the Pledged Collateral.

(c) "**Holders**" means (x) each Person that is (i) a signatory to the Purchase Agreement and identified as an "Investor" on Exhibit A to the Purchase Agreement, (ii) a holder of a Note and (iii) a signatory to this Agreement and identified as a "Secured Party" on the signature pages to this Agreement, and (y) any other Person that becomes (i) a holder of a Note pursuant to any permitted assignment or transfer and (ii) a "Secured Party" under this Agreement pursuant to a Security Agreement Joinder, other than any such Person that ceases to be a party hereto pursuant to an assignment of all of its Notes and its rights and obligations under the Transaction Documents.

(d) "**Necessary Endorsement**" means undated stock powers endorsed in blank or other proper instruments of assignment duly executed and such other instruments or documents as the Agent or the Required Holders may reasonably request.

(e) "**Obligations**" means all of the liabilities and obligations (primary, secondary, direct, contingent, sole, joint or several) due or to become due, or that are now or may be hereafter contracted or acquired, or owing to, of the Company to the Agent or to the Secured Parties, including, without limitation, all obligations under this Agreement, the Purchase Agreement, the Notes, the Agent Fee Letter and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith, in each case, whether now or hereafter existing, voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Agent or any of the Secured Parties as a preference, fraudulent transfer or otherwise as such obligations may be amended, supplemented, converted, extended or modified from time to time. Without limiting the generality of the foregoing, the term "Obligations" shall include, without limitation: (i) the principal amount of, and interest on the Notes and the loans extended pursuant thereto; (ii) any and all other fees, indemnities, costs, obligations and liabilities of the Company from time to time under or in connection with this Agreement, the Purchase Agreement, the Notes, the Agent Fee Letter and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith; and (iii) all amounts (including but not limited to post-petition interest) in respect of the foregoing that would be payable but for the fact that the obligations to pay such amounts are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Company.

(f) "**Organizational Documents**" means the Company's certificate of incorporation and bylaws.

(g) "**Pledged Collateral**" shall have the meaning ascribed to such term in Section 2(d).

(h) "**Pledged Shares**" shall have the meaning ascribed to such term in Section 2(a).

(i) "**Security Agreement Joinder**" means an agreement substantially in the form of Exhibit 1 hereto.

(j) "**UCC**" means the Uniform Commercial Code of the State of New York and or any other applicable law of any state or states which has jurisdiction with respect to all, or any portion of, the Collateral or this Agreement, from time to time. It is the intent of the parties that defined terms in the UCC should be construed in their broadest sense so that the term "**Collateral**" will be construed in its broadest sense. Accordingly if there are, from time to time, changes to defined terms in the UCC that broaden the definitions, they are incorporated herein and if existing definitions in the UCC are broader than the amended definitions, the existing ones shall be controlling.

The use in this Agreement of the word "include" or "including," when following any general statement, term or matter, will not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but will be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter. The word "will" shall be construed to have the same meaning and effect as the word "shall." Terms used in this Agreement in the singular have the same meaning in the plural, and vice-versa.

2. Pledge. As collateral security for the Obligations, the Company hereby pledges, collaterally assigns and hypothecates to the Agent on behalf of itself and the Secured Parties, and grants to the Agent, for the benefit of the Agent and the Secured Parties, a lien on and security interest in:

(a) the equity interests of the Issuer identified on Schedule I hereto (as may be updated or modified from time to time in accordance herewith) as being pledged that are held by the Company, including all securities convertible into, and rights, warrants, options and other rights to purchase or otherwise acquire, any of the foregoing (the "**Pledged Shares**") and the certificates representing the Pledged Shares, any interest of the Company in the entries on the books of any securities intermediary pertaining thereto and all equity dividends and cash dividends, cash, instruments, chattel paper and other rights, property or proceeds and products from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares;

(b) all additional equity interests of the Issuer at any time acquired by the Company in any manner, and the certificates representing such additional equity interests (and any such additional equity interests shall constitute part of the Pledged Shares under this Agreement), and all equity dividends, cash dividends, distributions, cash, instruments, chattel paper and other rights, property or proceeds and products from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares;

(c) all Records (as defined in the UCC), including supporting evidence and documents relating to any of the above-described property, including, without limitation, all books of account, ledgers, and cabinets in which the same are reflected or maintained; and

(d) all proceeds of any of the foregoing (the assets described in this Section 2, are collectively referred to as, the "**Pledged Collateral**").

3. Security for Obligations. This Agreement and all of the Pledged Collateral secure the prompt payment and performance when due of any and all Obligations, in each case whether now existing or hereafter arising (and whether arising before or after the filing of a petition in bankruptcy and including all interest accrued after the petition date), due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired.

4. Delivery of Pledged Collateral. All certificates or instruments that constitute "certificated securities" pursuant to Article 8 of the UCC that represent or evidence any of the Pledged Collateral shall be delivered to and held by or on behalf of the Agent pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by Necessary Endorsements in form and substance reasonably satisfactory to the Agent and the Required Holders. The Agent shall have the right upon the occurrence and during the continuance of an Event of Default, with concurrent written notice to the Company, at any time in its sole discretion to transfer to or to register in the name of the Agent or any of its nominees any or all of the Pledged Collateral in order to exercise its rights and remedies hereunder. In addition, the Agent shall have the right to exchange certificates or instruments representing or evidencing any Pledged Collateral for certificates or instruments of smaller or larger denominations.

5. Effectiveness. This Agreement will become effective upon the date on which the Agent has received (a) a counterpart hereof duly executed by each of the parties hereto, (b) a copy of the Agent Fee Letter duly executed by each of the parties thereto, (c) a copy of the Note Purchase Agreement duly executed by each of the parties thereto, and (d) payment from the Company of (i) all fees required to be paid on or prior to the effective date of this Agreement pursuant to the Agent Fee Letter and (ii) all reasonable third-party fees and expenses incurred by the Agent in connection with this Agreement and the transactions contemplated hereby, including, without limitation, attorneys' fees and expenses.

6. Representations and Warranties; Covenants. In order to induce the Agent and the Holders to enter into this Agreement and for the Holders to purchase the Notes under the Purchase Agreement, the Company represents and warrants that the following statements are true, correct and complete on the Closing Date (except to the extent such representation or warranty relates to an earlier date, in which case, it is true, correct and complete as of such earlier date) as follows and agrees as follows:

(a) Schedule I hereto completely and accurately sets forth the number of equity interests of, and options or other rights to purchase or receive, the issued and outstanding equity interests of the Issuer held by the Company as of the date hereof and indicates which such equity interests constitute Pledged Shares. The Pledged Shares held by the Company constitute, as of the date hereof, the percentage of the issued and outstanding equity interests of the Issuer set forth on Schedule I. All of such Pledged Shares owned by the Company are owned legally and beneficially by the Company and have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth on Schedule I, there are no outstanding warrants, options, subscriptions or other contractual arrangements for the purchase of any other equity interests or any securities convertible into equity interests of any Issuer, and there are no preemptive rights with respect to the equity interests of the Issuer that constitute Pledged Shares of the Issuer and the Pledged Shares are free and clear of all Liens.

(b) The Company has the requisite corporate power and authority to enter into this Agreement and otherwise to carry out its obligations hereunder. The execution, delivery and performance by the Company of this Agreement and the filings contemplated herein have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company. This Agreement has been duly executed by the Company. This Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to or affecting the rights and remedies of creditors and by general principles of equity.

(c) The execution, delivery and performance of this Agreement by the Company does not (i) violate any of the provisions of any Organizational Documents of the Company or any judgment, decree, order or award of any court, governmental body or arbitrator or any applicable law, rule or regulation applicable to the Company or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing the Company's debt or otherwise) or other understanding to which the Company is a party or by which any property or asset of the Company is bound or affected. If any, all required consents (including, without limitation, from stockholders or creditors of the Company) necessary for the Company to enter into and perform its obligations hereunder have been obtained.

(d) The Company hereby agrees to comply with any and all orders and instructions of the Agent regarding the Pledged Shares consistent with the terms of this Agreement without the further consent of the Company as contemplated by Section 8-106 (or any successor section) of the UCC. Further, the Company agrees that it shall not enter into a similar agreement (or one that would confer "control" within the meaning of Article 8 of the UCC) with any other person or entity.

(e) The Company shall vote the Pledged Shares to comply with the covenants and agreements set forth herein, the Purchase Agreement and in the Notes.

(f) The Company shall register the pledge of the applicable Pledged Shares on the books of the Company. Further, except with respect to certificated securities delivered to the Agent, the Company shall deliver to the Agent an acknowledgement of pledge (which, where appropriate, shall comply with the requirements of the relevant UCC with respect to perfection by registration and shall be in form and substance reasonably satisfactory to the Required Holders) signed by the Issuer, which acknowledgement shall confirm that: (a) it has registered the pledge on its books and records; (b) it agrees to comply with any and all orders and instructions of the Agent regarding the Pledged Shares without the further consent of the Company as contemplated by Section 8-106 (or any successor section) of the UCC; (c) at any time directed by the Agent during the continuation of an Event of Default, the Issuer will transfer the record ownership of such Pledged Shares into the name of any designee of the Agent, will take such steps as may be necessary to effect the transfer, and will comply with all other instructions of the Agent without the further consent of the Company.

(g) In the event that, upon an occurrence of an Event of Default, the Agent (at the written direction of the Required Holders) shall sell all or any of the Pledged Shares to another party or parties (herein called the "**Transferee**") or shall purchase or retain all or any of the Pledged Shares, the Company shall, to the extent applicable: (i) deliver to the Agent or the Transferee, as the case may be, the certificate of incorporation, bylaws, minute books, stock certificate books, corporate seals, deeds, leases, indentures, agreements, evidences of indebtedness, books of account, financial records and all other Organizational Documents and records of the Issuer and its direct and indirect subsidiaries; (ii) use its best efforts to obtain resignations of the persons then serving as officers and directors of the Issuer and its direct and indirect subsidiaries, if so directed by the Agent; and (iii) use its best efforts to obtain any approvals that are required by any governmental or regulatory body in order to permit the sale of the Pledged Shares to the Transferee or the purchase or retention of the Pledged Shares by the Agent and allow the Transferee or the Agent to continue the business of the Issuer and its direct and indirect subsidiaries.

(h) The Company's type of organization, jurisdiction of organization, legal name, Federal Taxpayer Identification Number, organizational identification number (if any) and chief executive office or principal place of business all as in effect on the date hereof, are indicated in Schedule I hereof. Schedule I also lists the Company's jurisdiction and type of organization, legal name and location of chief executive office or principal place of business at any time during the four months preceding the date hereof, if different from those referred to in the preceding sentence.

(i) The Company hereby irrevocably authorizes the Agent (and its designees) at any time and from time to time to file any financing statements and amendments thereto relating to the Collateral without the signature of such Grantor where permitted by law in such form and in such jurisdictions as the Agent or Required Holders reasonably determine appropriate to perfect the security interests of the Agent under this Agreement. The Company agrees to provide all necessary information related to such filings to the Agent promptly upon request by the Agent or the Required Holders.

(j) The Company shall take such further actions, and execute and/or deliver to the Agent such additional financing statements, amendments, assignments, agreements, supplements, powers and instruments, and will obtain such governmental consents and corporate approvals and will cause to be done all such other things as the Agent or the Required Holders may in its or their judgment deem necessary or appropriate in order to create and/or maintain the validity, perfection or priority of and protect any security interest granted or purported to be granted in the Collateral as provided herein and the rights and interests granted to the Agent hereunder, and enable the Agent to exercise and enforce its rights, powers and remedies hereunder with respect to any Collateral, including the filing of any financing statements, continuation statements and other documents under the UCC (or other similar laws) in effect in any jurisdiction with respect to the security interest created hereby, all in form satisfactory to the Agent and the Required Holders and in such offices wherever required by law to perfect, continue and maintain the validity, enforceability and priority of the security interest in the Collateral as provided herein and to preserve the other rights and interests granted to the Agent hereunder, as against third parties, with respect to the Collateral.

(k) The Company shall, except upon not less than 10 days' prior written notice to the Agent, and delivery to the Agent of all additional financing statements, information and other documents reasonably requested by the Agent or the Required Holders to maintain the validity, perfection and priority of the security interests provided for herein: (i) change its legal name, identity, type of organization or corporate structure; (ii) change the location of its chief executive office or its principal place of business; (iii) change its Federal Taxpayer Identification Number or organizational identification number (if any); or (iv) change its jurisdiction of organization (in each case, including by merging with or into any other entity, reorganizing, organizing, dissolving, liquidating, reincorporating or incorporating in any other jurisdiction).

7. Defaults. The following events shall be "**Events of Default**":

(a) the occurrence of an Event of Default (as that term is defined in the Notes) under the Notes;

(b) the Company's failure to pay to the Agent any amounts when and as due under this Agreement or the Agent Fee Letter, if such failure remains uncured for a period of at least five (5) days;

(c) any representation or warranty of the Company in this Agreement shall prove to have been incorrect in any material respect when made;

(d) except as otherwise provided in Section 7(e), the failure by the Company to observe or perform any of its obligations hereunder for ten (10) days after delivery to the Company of notice of such failure by or on behalf of the Agent or a Secured Party unless such default is capable of cure but cannot be cured within such time frame and the Company is using best efforts to cure the same in a timely fashion; or

(e) if any provision of this Agreement shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by the Company, or a proceeding shall be commenced by the Company, or by any governmental authority having jurisdiction over the Company, seeking to establish the invalidity or unenforceability thereof, or the Company shall deny that the Company has any liability or obligation purported to be created under this Agreement.

8. Duty To Hold In Trust. If the Company shall become entitled to receive or shall receive any securities or other property (including, without limitation, shares of Pledged Shares or instruments representing Pledged Shares acquired after the date hereof, or any options, warrants, rights or other similar property or certificates representing a dividend, or any distribution in connection with any recapitalization, reclassification or increase or reduction of capital, or issued in connection with any reorganization of the Company or any of its direct or indirect subsidiaries) in respect of the Pledged Shares (whether as an addition to, in substitution of, or in exchange for, such Pledged Shares or otherwise), the Company agrees to (i) accept the same as the agent of the Agent and the Secured Parties; (ii) hold the same in trust on behalf of and for the benefit of the Agent and the Secured Parties; and (iii) to deliver any and all certificates or instruments evidencing the same to the Agent on or before the close of business on the fifth (5^{th}) Business Day following the receipt thereof by the Company, in the exact form received together with the Necessary Endorsements, to be held by the Agent subject to the terms of this Agreement as Collateral.

9. Rights and Remedies Upon Default.

(a) Upon the occurrence of any Event of Default and at any time thereafter, the Agent and the Secured Parties, acting through the Agent by written direction to the Agent, shall have the right to exercise all of the remedies conferred hereunder and under the Notes, and the Agent and the Secured Parties shall have all the rights and remedies of a secured party under the UCC. Without limitation, the Agent, for the benefit of itself and the Secured Parties, shall have the rights and powers listed below and shall act in accordance with such rights and powers:

(i) All rights of the Company to exercise the voting and other consensual rights with respect to the Pledged Collateral it would otherwise be entitled to exercise shall immediately cease, and all such rights shall thereupon become vested in the Agent, which shall have the sole right to exercise such voting and other consensual rights.

(ii) All rights of the Company to receive dividends, distributions or other proceeds of the Pledged Collateral which it would otherwise be authorized to receive and retain shall immediately cease and all such rights shall thereupon become vested in the Agent, which shall have the sole right to receive and hold such dividends, distributions or other proceeds as Pledged Collateral.

(iii) The Agent may, without notice except as specified herein, sell all of the Pledged Collateral pledged by the Company or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Agent's offices or elsewhere, for cash, on credit, or for future delivery, at such price or prices and upon such other terms as Agent deems commercially reasonable. The Company acknowledges and agrees that such a private sale may result in prices and other terms which may be less favorable to the seller than if such sale were a public sale. The Company agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Company of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. At any sale of any of the Pledged Collateral, if permitted by law, the Agent (if so directed by the Required Holders in writing) and any Secured Party may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase of such Pledged Collateral or any portion thereof. The Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The 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 issuing corporation of such securities to register such securities for public sale under the Securities Act of 1933, as amended (the "**Securities Act**"), or under applicable state securities laws (collectively, the "**Securities Laws**"), even if the Issuer would agree to do so. To the extent permitted by law, the Company hereby specifically waives all rights of redemption, stay or appraisal which such Pledgor has or may have under any law now existing or hereafter enacted; *provided*, *however*, that the foregoing waiver shall inure to the benefit of only the Agent and the Secured Parties and their respective successors and permitted assigns.

(iv) All cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral shall be applied to the Obligations, in each case, in accordance with the terms hereof.

(v) Each Pledgor recognizes that the Agent may be unable to effect a public sale of all or part of the Pledged Collateral and may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Each Pledgor acknowledges that any such private sales may be at prices and on terms less favorable to the seller than if sold at public sales and agrees that such private sales shall be deemed to have been made in a commercially reasonable manner, and that Agent has no obligation to delay sale of any such Pledged Collateral for the period of time necessary to permit the issuer of such Pledged Collateral to register such Pledged Collateral for public sale under the Securities Act or under applicable state securities laws.

(b) The Agent shall comply with any applicable law in connection with a disposition of Collateral and such compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. The Agent may sell the Collateral without giving any warranties and may specifically disclaim such warranties. If the Agent sells any of the Collateral on credit, the Company will only be credited with payments actually made by the purchaser and received by the Agent or party acting on behalf of the Agent. In addition, the Company waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Agent's rights and remedies hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

10. Applications of Proceeds.

(a) The Agent shall apply the proceeds of any sale, collection, foreclosure, disposition or other realization of the Collateral hereunder in the following order of application:

(i) *first*, to the payment of all amounts payable under this Agreement and the Agent Fee Letter on account of the Agent's fees and any fees, costs and expenses (including, without limitation, any taxes, fees and other costs incurred in connection with the transactions contemplated hereunder and reasonable fees and expenses of legal counsel to the Agent) or other liabilities of any kind incurred by the Agent or any custodian, agent or sub-agent of the Agent in connection with this Agreement or any other Transaction Document or the Agent performing its obligations hereunder or thereunder or the transactions contemplated hereunder;

(ii) *second,* to satisfaction of the Obligations pro rata among the Secured Parties (as the Agent is directed in writing by all Secured Parties, which written direction shall be based on then-outstanding principal amounts of the Notes at the time of any such determination);

(iii) *third,* to the payment of any other amounts required by applicable law; and

(iv) *fourth,* to the Company any surplus proceeds.

(b) In the event that there are any proceeds from any sale, collection, foreclosure, disposition or other realization upon any Pledged Collateral remaining after application in accordance with Section 10(a)(i) above, each of the Secured Parties and the Company hereby (i) agrees (on behalf of itself and its Affiliates) that the Agent shall have no liability to Company, any Secured Party or any of their respective Affiliates for applying such remaining proceeds in accordance with written directions received by the Agent from all of the Secured Parties or pursuant to a court order issued by a court of competent jurisdiction and (ii) waives (on behalf of itself and its Affiliates) any and all claims and causes of action against the Agent for applying such remaining proceeds in accordance with any such written directions or court order.

(c) In the event that the Agent receives proceeds from any sale, collection, foreclosure, disposition or other realization upon any Pledged Collateral and has not received a written direction signed by all of the Secured Parties setting forth the amount of such proceeds payable to each Secured Party pursuant to Section 10(a)(ii) above, each of the Secured Parties and Company hereby (i) agrees that after applying such proceeds in accordance with Section 10(a)(i) above, the Agent may (x) retain such remaining proceeds, for the benefit of the Secured Parties, until such time as (A) the Agent has received a written direction signed by all of the Secured Parties setting forth the amount of such proceeds payable to each Secured Party pursuant to Section 10(a)(ii) above or (B) a court order has been issued by a court of competent jurisdiction directing the manner in which the Agent shall distribute such remaining proceeds or (y) interplead the amount of the distributions that should be made pursuant to clauses (ii) through (iv) of Section 10(a) above in any court of competent jurisdiction, without further responsibility in respect of such distributions under this Section 10 and (ii) waives any and all claims and causes of action against the Agent for taking any actions permitted by the immediately preceding clause (i) of this Section 10(c).

(d) If, upon the sale or other disposition of the Collateral, the proceeds thereof are insufficient to pay all amounts to which the Agent and the Secured Parties are legally entitled, the Company will be liable for the deficiency, together with interest thereon, at the rate set forth in the Notes, and the reasonable fees, costs and expenses of any attorneys employed by the Agent or the Secured Parties to collect such deficiency. To the extent permitted by applicable law, the Company waives all claims, damages and demands against the Secured Parties and the Agent arising out of the repossession, removal, retention or sale of the Collateral, unless, with respect to the Secured Parties, due solely to the gross negligence or willful misconduct of the Secured Parties as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction.

11. Securities Law Provision. The Company recognizes that the Agent may be limited in its ability to effect a sale to the public of all or part of the Pledged Shares by reason of certain prohibitions in the Securities Laws and may be compelled to resort to one or more sales to a restricted group of purchasers who may be required to agree to acquire the Pledged Shares for their own account, for investment and not with a view to the distribution or resale thereof. The Company agrees that sales so made may be at prices and on terms less favorable than if the Pledged Shares were sold to the public, and that the Agent has no obligation to delay the sale of any Pledged Shares for the period of time necessary to register the Pledged Shares for sale to the public under the Securities Laws. The Company shall cooperate with the Agent in its attempt to satisfy any requirements under the Securities Laws applicable to the sale of the Pledged Shares by the Agent.

12. Costs and Expenses. The Company agrees to pay, promptly upon demand, (i) the fees set forth in the Agent Fee Letter, (ii) all reasonable out-of-pocket fees, costs and expenses incurred by the Agent and its agents in the preparation, execution, delivery, filing, recordation, administration, continuation or enforcement of this Agreement or any other Transaction Document or any consent, amendment, waiver or other modification relating hereto or thereto, or the transactions contemplated thereby or the exercise of rights or performance of obligations by the Agent thereunder, (iii) all reasonable out-of-pocket fees, expenses and disbursements of legal counsel and any auditors, accountants, consultants or appraisers or other professional advisors and agents engaged by the Agent incurred in connection with the negotiation, preparation, closing, administration, continuation, performance or enforcement of this Agreement or any other Transaction Document or any consent, amendment, waiver or other modification relating hereto or thereto, or the transactions contemplated thereby or the exercise of rights or performance of obligations by the Agent thereunder and any other document or matter requested by Company and (iv) all reasonable out-of-pocket costs and expenses incurred by the Agent and its agents in creating, perfecting, preserving, releasing or enforcing the Agent's liens on and security interest in the Pledged Collateral, including, in connection with any filing or recording required or permitted hereunder, any filing and recording fees, expenses and taxes, stamp or documentary taxes, and any expenses of any searches reasonably required by the Agent. The Company shall also pay all other claims and charges which in the reasonable opinion of the Agent or the Required Holders is reasonably likely to prejudice, imperil or otherwise affect the Collateral or the security interests therein. The Company will also pay, promptly upon demand, any and all reasonable fees, costs and expenses of the Agent, including the reasonable fees, expenses and disbursements of its legal counsel and of any auditors, accountants, consultants or appraisers or other professional advisors, experts and agents, which the Agent, for the benefit of itself and the Secured Parties, or the Secured Parties may incur in connection with (i) the protection, preservation, satisfaction, foreclosure, collection or enforcement of the Collateral subject to this Agreement and the security interest therein and lien thereon, (ii) the enforcement of this Agreement, (iii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, or (iv) the exercise or enforcement of any of the rights of collection of the Secured Parties under the Notes. Such fees shall be paid within fifteen (15) days of submission of a request by the Agent to the Company and the Company shall promptly notify the Agent and the Secured Parties of the payment of such fees. Each of the parties hereto hereby acknowledges and agrees that the Agent Fee Letter shall constitute a Transaction Document, and all fees, costs, expenses and compensation payable thereunder shall constitute Obligations secured equally and ratably by the Collateral. All of the agreements in this Section 12 will survive and remain operative and in full force and effect regardless of the repayment of the Obligations, the termination of this Agreement or the resignation or removal of the Agent.

13. Security Interests Absolute. All rights of the Agent and the Secured Parties and all obligations of the Company hereunder, shall be absolute and unconditional, irrespective of: (a) any lack of validity or enforceability of this Agreement, the Notes or any agreement entered into in connection with the foregoing, or any portion hereof or thereof; (b) any change in the time, manner or place of payment or performance of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Notes or any other agreement entered into in connection with the foregoing; (c) any exchange, release or nonperfection of any of the Collateral, or any release or amendment or waiver of or consent to departure from any other collateral for, or any guarantee, or any other security, for all or any of the Obligations; or (d) any other circumstance which might otherwise constitute any legal or equitable defense available to the Company, or a discharge of all or any part of the security interests granted hereby. Until the Obligations shall have been paid and performed in full, the rights of the Agent and the Secured Parties shall continue even if the Obligations are barred for any reason, including, without limitation, the running of the statute of limitations or bankruptcy. The Company expressly waives presentment, protest, notice of protest, demand, notice of nonpayment and demand for performance. In the event that at any time any transfer of any Collateral or any payment received by the Agent or the Secured Parties hereunder shall be deemed by final order of a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under the bankruptcy or insolvency laws of the United States, or shall be deemed to be otherwise due to any party other than the Agent or the Secured Parties, then, in any such event, the Company's obligations hereunder shall survive cancellation of this Agreement, and shall not be discharged or satisfied by any prior payment thereof and/or cancellation of this Agreement, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof. The Company waives all right to require the Agent or the Secured Parties to proceed against any other person or entity or to apply any Collateral which the Agent or the Secured Parties may hold at any time, or to marshal assets, or to pursue any other remedy. The Company waives any defense arising by reason of the application of the statute of limitations to any obligation secured hereby.

14. Term of Agreement. This Agreement and the Liens granted hereby shall terminate on the date on which all payments under the Notes have been indefeasibly paid in full and all other Obligations have been paid or discharged; *provided*, *however*, that all indemnities of the Company contained in this Agreement shall survive and remain operative and in full force and effect regardless of the repayment of the Obligations, the termination of this Agreement or the resignation or removal of the Agent. Upon such termination, the Agent, at the written request and expense of the Company, will promptly execute and deliver to the Company a proper instrument or instruments (including UCC termination statements on form UCC-3) acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to the Company (without recourse and without any representation or warranty) such of the Pledged Collateral as may be in the possession of the Agent and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement.

15. Power of Attorney; Further Assurances.

(a) The Company authorizes the Agent, acting on behalf of itself and the Secured Parties, as set forth herein, and does hereby make, constitute and appoint the Agent and its agents, successors or assigns with full power of substitution, as the Company's true and lawful attorney-in-fact, with power, in the name of the Agent or the Company, to, after the occurrence and during the continuance of an Event of Default, generally, at the option of the Agent (or at the direction of the Required Holders), and at the expense of the Company, at any time, or from time to time, to execute and deliver any and all documents and instruments and to do all acts and things which the Agent or the Required Holders deem necessary to protect, preserve and realize upon the Collateral and the security interests granted therein in order to effect the intent of this Agreement and the Notes all as fully and effectually as the Company might or could do; and the Company hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable for the term of this Agreement and thereafter as long as any of the Obligations shall be outstanding. The designation set forth herein shall be deemed to amend and supersede any inconsistent provision in the Organizational Documents or other documents or agreements to which the Company is subject or to which the Company is a party.

(b) The Company hereby irrevocably appoints the Agent as the Company's attorney-in-fact, with full authority in the place and instead of the Company and in the name of the Company, to take any action and to execute any instrument which the Agent or the Required Holders may deem necessary or advisable to accomplish the purposes of this Agreement, including the filing of one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of the Company where permitted by law and ratifies all such actions taken by the Agent. This power of attorney is coupled with an interest and shall be irrevocable for the term of this Agreement and thereafter as long as any of the Obligations shall be outstanding.

16. Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto or by electronic mail at the e-mail address set forth on the signature pages attached hereto prior to 5:30 p.m. (New York time) on a Business Day, (b) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto or by electronic mail at the e-mail address set forth on the signature pages attached hereto on a day that is not a Business Day or later than 5:30 p.m. (New York time) on any Business Day, (c) the 2nd Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto (or, in the case of a Person that becomes a Secured Party after the date hereof, in the Security Agreement Joinder pursuant to which such Person becomes a party hereto) or such other address as the recipient party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

17. Agent.

(a) Appointment. The Secured Parties, by their acceptance of the benefits of the Agreement, hereby designate Cortland Capital Market Services LLC as the Agent to act as specified herein. Each Secured Party shall be deemed irrevocably to authorize and direct the Agent to take such action on its behalf under the provisions of this Agreement and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Agent may perform any and all of its duties hereunder and exercise its rights and powers hereunder by or through any one or more sub-agents appointed by it, and will not be responsible for any misconduct or negligence on the part of any of them. The Agent and any such sub-agent may perform any and all of its duties hereunder and exercise its rights and powers hereunder by or through their respective Affiliates. The exculpatory and indemnification provisions of this Agreement shall apply to any such sub-agent and to the Affiliates of the Agent and any such sub-agent. All of the rights, benefits, and privileges (including the exculpatory and indemnification provisions) of this Agreement shall apply to any such sub-agent and to the Affiliates of any such sub-agent as if such sub-agent and Affiliates were named herein.

(b) Nature of Duties. The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement. Without limiting the generality of the foregoing, (i) the Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Agent is instructed in writing to exercise by the Required Holders (or such greater number of Holders as may be expressly required herein); *provided* that the Agent shall not be required to take any action that, in its opinion or the opinion of its legal counsel, may expose the Agent to liability or that is contrary to this Agreement or any other Transaction Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under the Bankruptcy Code, and (ii) neither the Agent nor any of its partners, officers, directors, employees or agents shall be liable for any action taken or not taken by it as such under this Agreement or hereunder or in connection herewith or therewith, be responsible for the consequence of any oversight or error of judgment or answerable for any loss, unless caused solely by it or its gross negligence or willful misconduct as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction, and then only for direct damages to the extent provided by law and not for any lost profits or special, indirect or consequential damages or (to the fullest extent a claim for punitive damages may lawfully be waived) any punitive damages; *provided, further*, that neither the Agent nor any of its partners, officers, directors, employees or agents shall be liable for any action taken or not taken by it with the consent or at the request of the Required Holders (or such greater number of Holders as may be expressly required herein). The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of this Agreement or any other related agreement a fiduciary relationship or other implied duties under this Agreement or any other related agreement, or in respect of the Company or any Secured Party, regardless of whether an Event of Default has occurred and is continuing; and nothing in the Agreement or any other related agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Agreement or any other related agreement except as expressly set forth herein and therein.

(c) Other Agreements. The Agent has accepted and is bound by this Agreement. The Agent will not otherwise be bound by, or be held obligated by, the provisions of any note purchase agreement, indenture, note or other agreement (other than this Agreement and the other documents executed by the Agent in connection herewith).

(d) Lack of Reliance on the Agent. Independently and without reliance upon the Agent, each Secured Party, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Company and its subsidiaries in connection with such Secured Party's purchase of Notes, the creation and continuance of the Obligations, the transactions contemplated by the Transaction Documents, and the taking or not taking of any action in connection therewith, and (ii) its own appraisal of the creditworthiness of the Company, and of the value of the Collateral from time to time, and the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Secured Party with any credit, market or other information with respect thereto, whether coming into its possession before any Obligations are incurred or at any time or times thereafter. The Agent shall not be responsible to the Company or any Secured Party for any recitals, statements, information, financial statements, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith, or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectability, priority or sufficiency of this Agreement or any other related agreement or any contracts or insurance policies, or for the financial condition of the Company or the value of any of the Collateral, or have any duty to ascertain or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any other related agreement, or the financial condition of the Company, or the value of any of the Collateral, or the existence or possible existence or absence of any default or Event of Default under this Agreement, Notes or any of the other related agreement, or the contents of any certificate, report or other document delivered under this Agreement, Notes or any of the other related agreement or in connection therewith. It is acknowledged and agreed by the Secured Parties and the Company that the Agent (i) has undertaken no analysis of this Agreement or the Pledged Collateral and (ii) has made no determination as to (x) the validity, enforceability, perfection, collectability, priority or sufficiency of any Liens granted or purported to be granted pursuant to this Agreement or (y) the accuracy or sufficiency of the documents, filings, recordings and other actions taken, or to be taken, to create, perfect or maintain the existence, perfection or priority of the Liens granted or purported to be granted pursuant to this Agreement. The Agent shall be entitled to assume that all Liens purported to be granted pursuant to this Agreement are valid and perfected Liens having the priority intended by the Secured Parties and this Agreement.

(e) Certain Rights of the Agent. The Agent shall have the right to take any action with respect to the Collateral, on behalf of itself and all of the Secured Parties. Whenever reference is made in this Agreement to any action by, consent, designation, specification, requirement or approval of, notice, request or other communication from, or other direction given or action to be undertaken or to be (or not to be) suffered or omitted by the Agent to any amendment, waiver or other modification of this Agreement to be executed (or not to be executed) by the Agent or to any election, decision, opinion, acceptance, use of judgment, expression of satisfaction or other exercise of discretion, rights or remedies to be made (or not to be made) by the Agent, it is understood that in all cases the Agent shall be fully justified in failing or refusing to take any such action under this Agreement as it deems appropriate. This provision is intended solely for the benefit of the Agent and its successors and permitted assigns and is not intended to and will not entitle the other parties hereto to any defense, claim or counterclaim under or in relation to any Transaction Document, or confer any rights or benefits on any party hereto. The Agent shall be entitled to refrain from any act or the taking of any action (including the failure to take an action) in connection herewith or from the exercise of any power, discretion or authority vested in it hereunder or thereunder unless and until the Agent shall have received written instructions in respect thereof from the Required Holders (or such greater number of Holders as may be expressly required herein) and, upon receipt of such instructions from the Required Holders (or such greater number of Holders as may be expressly required herein), the Agent shall be entitled to act or (where so instructed) refrain from action, or to exercise such power, discretion or authority, in accordance with such instructions. The Agent may at any time solicit written confirmatory instructions from the Required Holders (or such greater number of Holders as may be expressly required herein) or request an order of a court of competent jurisdiction as to any action that it may be requested or required to take, or that it may propose to take, in the performance of any of its obligations under this Agreement. If such instructions or order are not provided despite the Agent's request therefor, the Agent shall be entitled to refrain from such act or taking such action and may suspend performance of such obligations as it determines to be appropriate until it receives such instructions or order, and if such action is taken, shall be entitled to appropriate indemnification from the Secured Parties in respect of actions to be taken by the Agent; and the Agent shall not incur liability to any person or entity by reason of so refraining. Without limiting the foregoing, (a) no Secured Party shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder in accordance with the terms of the Agreement or any other related agreement, and the Company shall have no right to question or challenge the authority of, or the instructions given to, the Agent pursuant to the foregoing except in the case of the gross negligence or willful misconduct of the Agent as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction and (b) the Agent shall not be required to take any action which the Agent believes (i) could reasonably be expected to expose it to personal liability, or (ii) require it to expend or risk its own funds, or (iii) is contrary to this Agreement, the Notes, any other related agreement or applicable law.

(f) Reliance. The Agent shall be entitled to conclusively rely, and shall be fully protected in relying, upon any writing, facsimile, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document, sent or made by the Company or any Secured Party, without being required to determine the authenticity thereof or the correctness of any fact stated therein or the propriety or validity of service thereof, upon any judicial order or judgment pertaining to the Agreement, the Notes, the Agent Fee Letter and any other related agreement and the transactions contemplated thereunder, and, with respect to all legal matters pertaining to the Agreement, the Notes, the Agent Fee Letter and any other related agreement and its duties thereunder, upon any advice, opinion or statement of legal counsel selected by it and upon all other matters pertaining to this Agreement, the Notes, the Agent Fee Letter and any other related agreement and its duties thereunder, upon advice of independent consultants and other experts selected by it, and may assume that any Person purporting to give notice or receipt or advice or make any statement or execute any document in connection with the provisions hereof or the other Transaction Documents has been duly authorized to do so. Anything to the contrary notwithstanding, the Agent shall have no obligation whatsoever to any Secured Party to assure that the Collateral exists or is owned by the Company or is cared for, protected or insured or that the liens granted pursuant to this Agreement have been properly or sufficiently or lawfully created, perfected, or enforced or are entitled to any particular priority.

(g) Limitations on Duty of Agent in Respect of Pledged Collateral.

(i) Beyond its obligations under Sections 4 and 6 hereof and the exercise of reasonable care in the custody of Pledged Collateral in its possession, the Agent will have no duty as to any Pledged Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining or otherwise perfecting or maintaining the perfection of any Liens on the Pledged Collateral. The Agent will be deemed to have exercised reasonable care in the custody of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which it accords its own property, and the Agent will not be liable or responsible for any loss or diminution in the value of any of the Pledged Collateral by reason of the act or omission of any carrier, forwarding agency or other agent or bailee selected by the Agent in good faith.

(ii) The Agent will not be responsible for the existence, genuineness or value of any of the Pledged Collateral or for the validity, perfection, priority or enforceability of the Liens in any of the Pledged Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes gross negligence or willful misconduct on the part of the Agent, for the validity or sufficiency of the Pledged Collateral or any agreement or assignment contained therein, for the validity of the title of the Company to the Pledged Collateral, for insuring the Pledged Collateral or for the payment of taxes, charges, assessments or Liens upon the Pledged Collateral or otherwise as to the maintenance of the Pledged Collateral. The Agent hereby disclaims any representation or warranty to the present and future holders of the Obligations concerning the perfection of the Liens granted hereunder or in the value of any of the Pledged Collateral.

(h) Security or Indemnity in favor of the Agent(i). The Agent will not be required to advance or expend any funds or otherwise incur any financial liability in the performance of its duties or the exercise of its powers or rights hereunder unless it has been provided with security or indemnity reasonably satisfactory to it against any and all liability or expense which may be incurred by it by reason of taking or continuing to take such action.

(i) Indemnification. To the extent that the Agent is not reimbursed and indemnified by the Company, the Secured Parties, shall severally, and not jointly, reimburse and indemnify the Agent and its Affiliates, and each and all of their respective partners, members, shareholders, officers, directors, employees, trustees, attorneys and agents (and any other persons with other titles that have similar functions) and (in each case) their respective heirs, representatives, successors and assigns (each of the foregoing, an "**Agent Indemnitee**"), in proportion to the outstanding amount of their respective principal amounts of the Notes on the date on which indemnification is sought under this Section 17(i) (or, if indemnification is sought after the date upon which the Notes have been paid in full, in proportion to the outstanding amount of their respective principal amounts of the Notes immediately prior to such date), from and against any and all losses, claims, liabilities, obligations, damages, penalties, suits, actions, judgments, costs, taxes, disbursements and expenses of any kind or nature whatsoever which may be imposed on, incurred by or asserted against any Agent Indemnitee in performing its duties hereunder or under any other related agreement, or in any way relating to or arising out of this Agreement and any other related agreement, **IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY, OR SOLE NEGLIGENCE OF SUCH AGENT INDEMNITEE** ; *provided*, no Agent Indemnitee will be entitled to indemnification hereunder of any such losses, claims, liabilities, obligations, damages, penalties, suits, actions, judgments, costs, taxes, disbursements and expenses which result from the gross negligence or willful misconduct of such Agent Indemnitee as determined by a final, nonappealable decision of a court of competent jurisdiction. Prior to taking any action or further action hereunder as the Agent, the Agent may require each Secured Party to deposit with it sufficient sums as it determines in good faith is necessary to protect the Agent for costs and expenses associated with taking such action or further action; provided, in no event shall this sentence require any Secured Party to indemnify any Agent Indemnitee against any liability, obligation, loss, damage, penalty, action, judgment, suit, cost, expense or disbursement in excess of an amount in proportion to the outstanding amount of their respective principal amounts of the Notes on the date on which indemnification is sought under this Section 17(i) (or, if indemnification is sought after the date upon which the Notes have been paid in full, in proportion to the outstanding amount of their respective principal amounts of the Notes immediately prior to such date); and *provided further*, this sentence shall not be deemed to require any Secured Party to indemnify any Agent Indemnitee against any liability, obligation, loss, damage, penalty, action, judgment, suit, cost, expense or disbursement described in the proviso in the immediately preceding sentence. All of the agreements in this Section 17(i) will survive and remain operative and in full force and effect regardless of the repayment of the Obligations, the termination of this Agreement or the resignation or removal of the Agent.

(j) Resignation or Removal of the Agent.

(i) The Agent may resign from the performance of all its functions and duties under this Agreement and the other Transaction Documents at any time by giving not less than 30 days' prior written notice to the Company and the Secured Parties, and, subject to the appointment of a successor Agent and the acceptance of such appointment by the successor Agent, the Agent may be removed at any time by the Secured Parties. Such resignation or removal shall take effect upon the appointment of a successor Agent pursuant to clauses (ii) and (iii) below.

(ii) Upon any such notice of resignation or removal, the Required Holders shall appoint a successor Agent hereunder.

(iii) If a successor Agent shall not have been so appointed within 30 days after the retiring Agent gave notice of resignation or was removed, the retiring Agent may, at its option, (i) appoint a successor Agent who shall serve as successor Agent until such time, if any, as the Secured Parties appoint a successor Agent as provided above or (ii) petition any court of competent jurisdiction or may interplead the Company and the Secured Parties in a proceeding for the appointment of a successor Agent, and, in each cash, all fees, costs and expenses, including, but not limited to, extraordinary fees associated with the filing of interpleader and expenses associated therewith, shall be payable by the Company on demand; provided, that, notwithstanding the foregoing, in the case of a resignation by the Agent, if no successor Agent has been appointed by the 30th day after the date the Agent has given notice of its resignation in accordance with clause (i) above, the Agent's resignation shall nevertheless become effective and the Secured Parties shall thereafter perform all of the duties of the Agent under this Agreement until such time, if any, as the Secured Parties appoint a successor Agent.

(k) Rights with respect to Collateral. Each Secured Party agrees with all other Secured Parties and the Agent (i) that it shall not, and shall not attempt to, exercise any rights with respect to its security interest in the Collateral, whether pursuant to any other agreement or otherwise (other than pursuant to this Agreement), and (ii) that such Secured Party has no other rights with respect to the Collateral other than as set forth in this Agreement, the Notes and any other related agreements. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall be discharged from its duties and obligations under this Agreement. The retiring Agent will (at the sole expense of the Company) promptly transfer all Liens and collateral security within its possession or control to the possession or control of the successor Agent and will execute such instruments and assignments as may be reasonably requested by the successor Agent to transfer to the successor Agent all Liens, interests, rights, powers and remedies of the predecessor Agent in respect of this agreement or the Pledged Collateral. After any retiring Agent's resignation or removal hereunder as collateral agent, the provisions of this Agreement, including without limitation the immunities granted to it in Sections 12, 17 and 18(j) hereof shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent hereunder and any actions taken in accordance with this clause (l).

18. Miscellaneous.

(a) No course of dealing between the Company and the Agent or any Secured Party, nor any failure to exercise, nor any delay in exercising, on the part of the Agent or any Secured Party, any right, power or privilege hereunder or under the Notes shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(b) All of the rights and remedies of the Agent and the Secured Parties with respect to the Collateral, whether established hereby or by the Notes or by any other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

(c) This Agreement, together with any exhibits and schedules hereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into this Agreement and any exhibits and schedules hereto. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed by the Company, the Secured Parties and the Agent.

(d) No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right or any other right, power or remedy.

(e) This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Required Holders. Each of the Secured Parties and the Company agree that, notwithstanding anything to the contrary in the Purchase Agreement or any other Transaction Document, no Person may become a Holder of a Note after the date hereof and a Secured Party hereunder (whether through a sale, transfer or assignment to such Person of any Holder's rights or interests in all or a portion of any Note or any other Obligations, or otherwise), unless, on or prior to the date such Person becomes a Holder of a Note, such Person (i) agrees in writing to be bound by the terms of this Agreement as a "Secured Party" by executing and delivering a Security Agreement Joinder to the Agent and (ii) provides the Agent with all documentation and other information that the Agent requests in order to comply with the Agent's obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), and the results of any such "know your customer" or similar investigation conducted by the Agent shall be satisfactory to the Agent. Any sale, transfer or assignment to any Person of any Secured Party's rights or interests in all or a portion of any Note or any other Obligations made in violation of the provisions of this Section 18(e) shall be void *ab initio*.

(f) Promptly following a request made by the Agent to a Holder, such Holder shall notify the Collateral Agent of the outstanding principal amount of Notes held by such Holder at such time.

(g) Each party shall take such further action and execute and deliver such further documents as may be necessary or appropriate in order to carry out the provisions and purposes of this Agreement.

(h) This Agreement shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Agreement shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company, each Holder and the Agent hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of this Agreement. Nothing contained herein shall be deemed or operate to preclude any Holder or the Agent from bringing suit or taking other legal action against the Company in any other jurisdiction to enforce a judgment or other court ruling in favor of any Holder or the Agent. **THE COMPANY, EACH HOLDER AND THE AGENT HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

(i) This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

(j) The Company shall defend, indemnify, pay, reimburse and hold harmless the Secured Parties and the Agent and each of their respective Affiliates, and each and all of their respective partners, members, shareholders, officers, directors, employees, trustees, attorneys and agents (and any other persons with other titles that have similar functions) and (in each case) their respective heirs, representatives, successors and assigns (each of the foregoing, an "**Indemnitee**") from and against any and all losses, claims, liabilities, obligations, damages, penalties, suits, actions, judgments, costs, taxes, disbursements and expenses, of any kind or nature (including fees relating to the cost of investigating, defending and otherwise addressing any of the foregoing, including reasonable fees and expenses of legal counsel selected by any Indemnitee, whether or not suit is brought), whether direct, indirect or consequential and whether based on any federal, state or foreign laws, statutes, rules or regulations (including securities and commercial laws, statutes, rules or regulations and environmental laws), on common law or equitable cause or on contract or otherwise, that may be imposed on, incurred by or asserted against any Indemnitee in any way related to or arising from or alleged to arise from this Agreement or the Collateral, or in any way related to or arising from or alleged to arise from the execution, delivery, performance, administration or enforcement of this Agreement, including any of the foregoing relating to the violation of, noncompliance with or liability under, any law applicable to or enforceable against any Company or any of its Affiliates or any of the Pledged Collateral, **IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY, OR SOLE NEGLIGENCE OF SUCH INDEMNITEE**; *provided*, no Indemnitee will be entitled to indemnification hereunder of any such losses, claims, liabilities, obligations, damages, penalties, suits, actions, judgments, costs, taxes, disbursements and expenses which result from the gross negligence or willful misconduct of such Indemnitee as determined by a final, nonappealable decision of a court of competent jurisdiction. To the extent that the undertakings to defend, indemnify, pay and hold harmless set forth in this Section 18(j) may be unenforceable in whole or in part because they are violative of any law or public policy, the Company shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all indemnified amounts incurred by the Indemnitees or any of them. All of the agreements in this Section 18(j) will survive and remain operative and in full force and effect regardless of the repayment of the Obligations, the termination of this Agreement or the resignation or removal of the Agent.

(k) Nothing in this Agreement shall be construed to subject the Agent or any Secured Party to liability as an officer or director of the Company or a partner in any of the Company's direct or indirect subsidiaries that is a partnership or as a member in any of the Company direct or indirect subsidiaries that is a limited liability company, nor shall the Agent or any Secured Party be deemed to have assumed any obligations under any partnership agreement or limited liability company agreement, as applicable, of any the Company or any of its direct or indirect subsidiaries or otherwise, unless and until the Agent or any such Secured Party, as applicable, exercises its right to be substituted for the Company as a partner or member, as applicable, pursuant hereto.

(l) To the extent that the grant of the security interest in the Collateral and the enforcement of the terms hereof require the consent, approval or action of any partner or member, as applicable, of the Company or any direct or indirect subsidiary of the Company or compliance with any provisions of any of the Organizational Documents, the Company hereby grants such consent and approval and waive any such noncompliance with the terms of said documents.

(m) The Company and each Secured Party is subject to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**Patriot Act**") and the Agent (for itself and not on behalf of any Secured Party), hereby notifies all future Secured Parties, including subsequent assignees or transferees, that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Secured Party, which information includes the name and address of the Secured Party and other information that will allow the Agent, to identify the Secured Party in accordance with the Patriot Act. For a non-individual person such as a business entity, a charity, a trust or other legal entity the Agent will ask for documentation to verify its formation and existence as a legal entity. The Agent may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation. The Secured Parties shall provide such information and take such actions as are requested by the Agent in order to maintain compliance with the Patriot Act.

(n) In no event shall the Agent be responsible or liable for any failure or delay in the performance of its obligations hereunder directly or indirectly caused by events beyond its control, including general labor disputes, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, losses or malfunctions of utilities, communications or computer (software and hardware) services; *provided*, *however*, that the Agent, as the case may be, shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performances as soon as practicable under the circumstances.

(o) Section headings herein have been inserted for convenience of reference only, are not to be considered a part of this Agreement and will in no way modify or restrict any of the terms or provisions hereof.

(p) Each Secured Party signatory to this Agreement on the date hereof hereby represents and warrants to the Agent (solely as to itself, and not as to any other Secured Party) that (x) as of the date hereof, the outstanding principal amount of the Notes held by such Secured Party is set forth on Schedule II hereto and (y) on or prior to the date of this Agreement, it has not assigned all or any portion of its Notes to any Person, except any Person that is listed on Schedule II attached hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed effective as of December 15, 2016.

COMPANY:

PACIFIC ETHANOL, INC., a Delaware corporation

By:	/s/ Neil M. Koehler
Name:	Neil M. Koehler
Title:	President and Chief Executive Officer

Address: 400 Capitol Mall
Suite 2060
Sacramento, CA 95814

AGENT:

CORTLAND CAPITAL MARKET SERVICES LLC,
as Agent

By: /s/ Polina Arsentyeva
Name: Polina Arsentyeva
Title: Associate Counsel

Address:

Cortland Capital Market Services LLC
225 W. Washington Street, 21st Floor
Chicago, IL 60606
Attention: Ryan Morick and Legal Department
Telecopy no.: (312) 562-5072
E-mail: ryan.morick@cortlandglobal.com;
legal@cortlandglobal.com

with a copy (which copy shall not constitute notice) to:

Kaye Scholer LLP
250 W. 55th Street
New York, NY 10019
Attention: Alan Glantz
Telecopy no.: (212) 836-6763
E-mail: alan.glantz@kayescholer.com

[SIGNATURE PAGE OF SECURED PARTIES TO SECURITY AGREEMENT]

SECURED PARTY:

CWD Summit, LLC,
acting for and on behalf of
Candlewood Renewable Energy Series I

By: /s/ David Koenig
Name: David Koenig
Title: Authorized Signatory

Address: c/o Candlewood Investment Group, LP
555 Theodore Fremd Avenue, Suite C-303
Rye, NY 10580
Email: compliance@candlewoodgroup.com
Facsimile Number:212-493-4492

Dated: Effective as of December 15, 2016

SECURED PARTY:

Flagler Master Fund SPC Ltd,
acting for and on behalf of the class A segregated portfolio

By: /s/ Phil DeSantis
Name: Phil DeSantis
Title: Authorized Signatory

Address:c/o Candlewood Investment Group, LP
555 Theodore Fremd Avenue, Suite C-303
Rye, NY 10580
Email: compliance@candlewoodgroup.com
Facsimile Number:212-493-4492

Dated: Effective as of December 15, 2016

SECURED PARTY:

Flagler Master Fund SPC Ltd.,
acting for and on behalf of the class A segregated portfolio

By: /s/ Phil DeSantis
Name: Phil DeSantis
Title: Authorized Signatory

Address:c/o Candlewood Investment Group, LP
555 Theodore Fremd Avenue, Suite C-303
Rye, NY 10580
Email: compliance@candlewoodgroup.com
Facsimile Number:212-493-4492

Dated: Effective as of December 15, 2016

[SIGNATURE PAGE OF SECURED PARTIES TO SECURITY AGREEMENT]

SECURED PARTY:

CIF-Income Partners (A), LLC

By: BlackRock Financial Management, Inc.
Its investment manager

By: /s/ Bryan J. Smith
Name: Bryan J. Smith
Title: Managing Director

Address for Notices:

BlackRock Alternative Advisors
40 East 52nd Street, 16th Floor
New York, NY 10022
Attn: Stephen Kavulich and Jesse Licht
BAA-QBCo-InvestmentFundLP@blackrock.com

with a copy to (which shall not constitute notice):

BlackRock Inc. — Office of the General Counsel
40 East 52nd Street, 19th Floor
New York, NY 10022
Attn: Michelle Galvez, David Maryles & Larry Gail
legaltransactions@blackrock.com
larry.gail@blackrock.com

Dated: Effective as of December 15, 2016

[SIGNATURE PAGE OF SECURED PARTIES TO SECURITY AGREEMENT]

SECURED PARTY:

Orange 2015 DisloCredit Fund, L.P.

By: BlackRock Financial Management, Inc.
Its investment manager

By: /s/ Bryan J. Smith
Name: Bryan J. Smith
Title: Managing Director

Address for Notices:

BlackRock Alternative Advisors
40 East 52nd Street, 16th Floor
New York, NY 10022
Attn: Stephen Kavulich and Jesse Licht
BAA-QBCo-InvestmentFundLP@blackrock.com

with a copy to (which shall not constitute notice):

BlackRock Inc. — Office of the General Counsel
40 East 52nd Street, 19th Floor
New York, NY 10022
Attn: Michelle Galvez, David Maryles & Larry Gail
legaltransactions@blackrock.com
larry.gail@blackrock.com

Dated: Effective as of December 15, 2016

SECURED PARTY:

Sainsbury's Credit Opportunities Fund, Ltd.

By: BlackRock Financial Management, Inc.
Its investment manager

By: /s/ Bryan J. Smith
Name: Bryan J. Smith
Title: Managing Director

Address for Notices:

BlackRock Alternative Advisors
40 East 52nd Street, 16th Floor
New York, NY 10022
Attn: Stephen Kavulich and Jesse Licht
BAA-QBCo-InvestmentFundLP@blackrock.com

with a copy to (which shall not constitute notice):

BlackRock Inc. — Office of the General Counsel
40 East 52nd Street, 19th Floor
New York, NY 10022
Attn: Michelle Galvez, David Maryles & Larry Gail
legaltransactions@blackrock.com
larry.gail@blackrock.com

Dated: Effective as of December 15, 2016

SCHEDULE I

TO SECURITY AGREEMENT

Pledgor	Issuer	Class of Equity Interest	Certificate No.	Par Value Per Share	Number of Shares	Percentage of Issuer's Equity Interests	Percentage of Issuer's Outstanding Shares of Common Stock Pledged
Pacific Ethanol, Inc.	PE OP CO., a Delaware corporation	Common Stock	7	$0.001	1,000	100%	100%

Company's type of organization: Corporation

Company's jurisdiction of organization: Delaware

Company's Legal Name: Pacific Ethanol, Inc.

Company's Federal Taxpayer Identification Number: 41-2170618

Company's organizational identification number: 3877538

Company's chief executive office or principal place of business: 400 Capital Mall, Suite 2060, Sacramento, CA 95814.

SCHEDULE II

TO SECURITY AGREEMENT

Holder	Principal Amount	Percentage of Total Notes
CWD Summit, LLC - acting for and on behalf of Candlewood Renewable Energy Series I	$ 22,438,545	40.7974%
Flagler Master Fund SPC Ltd - acting for and on behalf of the class A segregated portfolio	$ 7,001,507	12.7300%
Flagler Master Fund SPC Ltd - acting for and on behalf of the class B segregated portfolio	$ 4,000,000	7.2727%
CIF Income Partners (A), LLC	$ 9,962,010	18.1127%
Orange 2015 DisloCredit Fund, L.P.	$ 10,309,278	18.7441%
Sainsbury's Credit Opportunities Fund, Ltd.	$ 1,288,660	2.3430%
Total	**$ 55,000,000**	**100.0000%**

EXHIBIT 1

TO SECURITY AGREEMENT

[FORM OF]
SECURITY AGREEMENT JOINDER

Reference is hereby made to that certain Security Agreement, dated as of December [__], 2016 (the ***"Security Agreement"***) by and among Pacific Ethanol, Inc., a Delaware corporation (the "**Company**"), each Holder (as defined therein) (each, a "**Secured Party**" and collectively, the "**Secured Parties**") and Cortland Capital Market Services LLC, as collateral agent for itself and the Secured Parties (in such capacity, together with its successors and permitted assigns in such capacity, the "**Agent**"). Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Security Agreement.

The undersigned hereby agrees to be added as a party to the Security Agreement as a "Secured Party". The undersigned hereby unconditionally and irrevocably expressly assumes, confirms and agrees to perform and observe as a Secured Party each of the covenants, agreements, terms, conditions, obligations, duties, promises and liabilities applicable to a "Secured Party" under the Security Agreement (including, without limitation, those set forth in Section 17(f) of the Security Agreement) as if it were an original signatory thereto.

The undersigned hereby agrees to promptly execute and deliver any and all further documents and take such further action as the Agent may reasonably require to effect the purpose of this Security Agreement Joinder.

This Security Agreement Joinder shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned Secured Party has caused this Security Agreement Joinder to be executed by its officers or representatives as of _____, 20____.

[_____**]**

By:_____
Name: _____
Title: _____

Address of Secured Party: _____

Email Address of Secured Party: _____

Facsimile Number of Secured Party: _____

Exhibit 10.5

Execution Copy

CREDIT AGREEMENT

by and between

PACIFIC ETHANOL PEKIN, INC.

as Company,

1ST FARM CREDIT SERVICES, PCA

as Lender

and

COBANK, ACB

as Cash Management Provider and Agent

Dated as of December 15, 2016

TABLE OF CONTENTS

ANNEXES, SCHEDULES AND EXHIBITS

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (as amended, restated, modified or supplemented from time to time, the "**Agreement**") is dated as of December 15, 2016, and is entered into by and between PACIFIC ETHANOL PEKIN, INC., a corporation organized and existing under the laws of Delaware ("**Company**"), 1ST FARM CREDIT SERVICES, PCA, a federally-chartered instrumentality of the United States ("**Lender**"), and COBANK, ACB, a federally-chartered instrumentality of the United States ("**Cash Management Provider**" or "**Agent**").

Upon the request of the Company, Lender has agreed to provide the Company with the credit facilities described below and Cash Management Provider has agreed to provide the other financial accommodations described below. In consideration thereof and of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, Lender, Cash Management Provider and Agent hereby agree as follows:

ARTICLE 1 Certain Definitions and Rules of Construction. In addition to definitions established elsewhere in this Agreement, certain capitalized words and terms used in this Agreement are defined in Annex A to this Agreement, which is incorporated herein by reference and made a part hereof. In addition, Annex A sets forth the rules of construction and certain accounting principles applicable to this Agreement.

ARTICLE 2 The Credit Facilities. Subject to the terms and conditions of this Agreement and relying on the representations and warranties set forth herein, Lender hereby establishes in favor of the Company the credit facilities, loans, and other financial accommodations described below (collectively, the "**Facilities**"). The Facilities shall be subject to and governed and secured by the terms and conditions contained in this Agreement, the Notes, and the other Loan Documents. The terms of each Note shall set forth the amount and duration of each Facility, the interest thereon, the fees applicable thereto, and the purpose thereof, as well as any other terms and conditions Agent may elect to set forth therein, and the Company shall be subject thereto.

2.1 **The Term Loan.** Lender agrees to make a term loan to the Company in a principal amount not to exceed the Term Loan Amount set forth in the Term Note (the "**Term Loan**") upon the request of the Company made in accordance with the terms of the Term Note and this Agreement; provided, however, that the Term Loan shall be made in a single advance on or before the Term Loan Availability Expiration Date.

(a) **The Term Note**. The Term Loan shall be evidenced by a promissory note of the Company, substantially in the form of Exhibit A hereto and otherwise in form and substance satisfactory to Agent, payable to the order of Lender (as amended, restated, modified, supplemented, replaced, refinanced or renewed from time to time, the "**Term Note**"). The terms and provisions of the Term Note are incorporated herein by reference and made a part hereof. In the event of irreconcilable inconsistency between the terms hereof and the terms of the Term Note, the terms of the Term Note shall control.

(b) **Payments**. All principal, interest and fees outstanding under the Term Loan shall be due and payable pursuant to the Term Note except to the extent otherwise provided for in this Agreement.

2.2 **The Revolving Term Loan.** Lender hereby establishes in favor of the Company a revolving term credit facility as described below (the "**Revolving Term Facility**").

(a) **Loans; Limitations.** Subject to the terms and conditions of this Agreement, the Revolving Term Note and the other Loan Documents, prior to the Revolving Term Facility Expiration Date, upon the request of the Company, Lender shall make loans to the Company under the Revolving Term Facility (each, a "**Revolving Term Loan**"); provided, that in no event shall Lender be obligated to make a Revolving Term Loan that, when added to the then-current Revolving Term Facility Usage, would exceed at any time the Revolving Term Commitment. Within such limits and subject to the other terms and conditions of this Agreement and the other Loan Documents, the Company may borrow, repay, and reborrow under the Revolving Term Facility.

(b) **Revolving Term Note**. Amounts owed under the Revolving Term Facility shall be evidenced by a promissory note of the Company, substantially in the form of Exhibit B hereto and otherwise in form and substance satisfactory to Agent, payable to the order of Lender (as amended, restated, modified, supplemented, replaced, refinanced or renewed from time to time, the "**Revolving Term Note**"). The terms and provisions of the Revolving Term Note are incorporated herein by reference and made a part hereof. In the event of irreconcilable inconsistency between the terms hereof and the terms of the Revolving Term Note, the terms of the Revolving Term Note shall control.

(c) **Payment Dates**. All principal, interest and fees outstanding under the Revolving Term Facility shall be due and payable pursuant to the Revolving Term Note except to the extent otherwise provided for in this Agreement.

(d) **Protective Advances.** Lender is authorized by the Company (but shall have absolutely no obligation to), from time to time in Lender's sole discretion, to make Revolving Term Loans to or on behalf of the Company that Lender and Agent deem necessary or desirable (i) to preserve or protect the Collateral, or any portion thereof, (ii) to enhance the likelihood of, or maximize the amount of, repayment of the Loans and other Obligations, or (iii) to pay any other amount chargeable to or required to be paid by the Company pursuant to the terms of this Agreement, including payments of reimbursable expenses (including reasonable costs, fees, and expenses as described in Section 11.2) and other sums payable under the Loan Documents (any of such Revolving Term Loans are herein referred to as "**Protective Advances**"). Protective Advances may be made even if the conditions precedent set forth in Section 4.2 have not been satisfied. The Protective Advances shall be secured by the Collateral and shall constitute Obligations hereunder. All Protective Advances shall be Libor Index Rate Loans.

(e) **Cash Management Arrangements**. The Company and Cash Management Provider may enter into a CoBank Cash Management Agreement providing for the automatic advance by Cash Management Provider of Revolving Term Loans under the conditions set forth in such agreement, which conditions shall be in addition to the conditions set forth herein.

2.3 **Availability and Payments Generally.**

(a) **Availability**. Loans and advances will be made available by wire transfer of immediately available funds to such account or accounts as may be authorized or directed by the Company on forms supplied or approved by Agent. Agent shall be entitled to rely on (and shall incur no liability to the Company in acting on) any request, delegation or direction furnished by the Company in accordance with the terms of this Agreement, any Note, a Delegation Form or any other Loan Document.

(b) **Payments Generally**. All payments and prepayments to be made in respect of the Obligations shall be payable prior to 3:00 p.m. (Mountain time) on the date when due 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, and an action therefor shall immediately accrue. Such payments or prepayments of Obligations shall be made (i) by wire transfer of immediately available funds to ABA No. 307088754 for advice to and credit of Agent for the account of Lender (or to such other account as Agent may direct by written notice) or (ii) by check or ACH transfer, to Agent for the account of Lender at its office located at 6340 S. Fiddlers Green Circle, Greenwood Village, Colorado 80111 (or at such other place of payment designated by Agent to the Company) in U.S. dollars and in immediately available funds. In the event that any payment on any Obligation is made by check by the Company, credit for payment by check shall be given as of the Business Day on which Agent receives the check at the address designated by Agent from time to time for delivery of payments by check. All notices by the Company to Agent of payment or prepayment shall be irrevocable. Agent's statement of account, ledger, or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal, interest, and other Obligations owing under this Agreement, the Notes, and the other Loan Documents and shall be deemed an "account stated." Any payment received by Agent after 3:00 p.m. (Mountain time) shall be deemed received by Agent on the next succeeding Business Day. All payments hereunder and under any Note, including all amounts designated as principal prepayments, shall be credited first to interest, costs, and lawful charges then accrued and the remainder to principal as provided herein or in any applicable Note or otherwise as Agent in its sole discretion may determine.

2.4 **Interest Payment Dates.** Interest on principal amounts subject to the Quoted Rate Option or LIBOR Index Option shall be: (a) calculated monthly in arrears as of the last day of each month and on the final maturity date of the Loans; and (b) due and payable monthly in arrears on the twentieth (20th) day of the following month (or on such other day in such month as Agent shall require in a written notice to the Company) and at maturity (whether at stated maturity, by acceleration or otherwise) and after maturity on demand, and on the date of any payment or prepayment of any principal amount on the amount paid. Interest based on the Quoted Rate Option or LIBOR Index Option will be calculated in each case on the basis of the actual number of days elapsed in a year of 360 days.

2.5 **Interest After Default.** To the extent permitted by Law and notwithstanding any other term or condition of this Agreement, any Note or any other Loan Document, upon the occurrence of an Event of Default and until the time such Event of Default shall have been cured or waived in writing by Agent on behalf of Lender: (a) each Loan outstanding hereunder shall bear interest at a rate per annum equal to the sum of (i) the rate of interest that would otherwise be applicable pursuant to each Note or this Agreement plus (ii) an additional 4.0% per annum; (b) all fees otherwise applicable pursuant to this Agreement, any Note or any other Loan Document shall be increased by an additional 4.0% per annum; (c) each other Obligation hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of (i) the rate of interest applicable under the LIBOR Index Option plus (ii) an additional 4.0% per annum from the time such Obligation becomes due and payable and until it is paid in full; and (d) the Company acknowledges that the increase in rates referred to in this paragraph reflects, among other things, the fact that the Loans outstanding and other Obligations have become a substantially greater risk given their default status and that Lender is entitled to additional compensation for such risk. All such interest shall be payable by the Company upon demand by Agent.

2.6 **Right to Prepay.** The Company shall have the right at its option from time to time to prepay any of the Loans in whole or in part without premium or penalty, except as may be otherwise set forth in a Note and except as provided in Sections 3.1, 3.4 and 11.2; provided, that the Company agrees, upon any prepayment of the Loans or reduction or termination of the Revolving Term Commitment prior to December 1, 2018 in connection with third party financing received by the Company, to pay Agent for the account of Lender a prepayment penalty equal to 2.0% of the amount of such prepayment, reduction or termination. Whenever the Company desires to prepay all or any part of the Loans, it shall provide a prepayment notice to Agent by 1:00 p.m. (Mountain time) at least three (3) Business Days prior to the date of prepayment of any Loans to which Quoted Rate Option applies and by 1:00 p.m. (Mountain time) on the same Business Day of prepayment of any Loans to which the LIBOR Index Option applies, setting forth in each case the following information: (a) the date, which shall be a Business Day, on which the proposed prepayment is to be made; (b) a statement indicating the application of the prepayment between the various Facilities (if more than one hereunder); (c) a statement indicating the application of the prepayment among Loans to which the Quoted Rate Option applies and Loans to which the LIBOR Index Option applies; and (d) the principal amount of such prepayment, which shall be in the minimum principal amount of the lesser of (i) $100,000 for each Loan or (ii) the then outstanding amount of the Loan being prepaid. Unless otherwise agreed to by Agent, all prepayment notices shall be irrevocable. The principal amount of the Loans for which a prepayment notice is given, together with interest on such principal amount except with respect to Loans to which the LIBOR Index Option applies, shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. If a Term Loan is included among the Facilities, all prepayments made under any Term Loan shall be applied (a) first, to the unpaid installments of principal thereunder scheduled to be paid within 365 days after such prepayment, in the order of scheduled maturities, and (b) second, to the unpaid installments of principal thereunder scheduled to be paid 366 days or more after such prepayment, in the inverse order of scheduled maturities. Except as otherwise provided in this Agreement or a Note, if the Company prepays a Loan but fails to specify the applicable Loan which the Company is prepaying, the prepayment shall be applied (i) first to Loans made under the Revolving Term Facility, and then to the Term Loan; and (ii) after giving effect to the allocations in clause (i) above and in the preceding sentence, first to Loans to which the LIBOR Index Option applies and then to Loans to which the Quoted Rate Option applies. Any prepayment of a Loan under the Quoted Rate Option shall be subject to the Company's obligation to indemnify Lender for break funding damages and costs to the extent provided in Section 3.4.

2.7 Fees. The Company shall pay Agent: (a) a SyndTrak fee of $5,000 on the Closing Date; (b) an administrative fee of $17,500 on the Closing Date and on each December 1 thereafter, commencing on December 1, 2017; and (c) the fees set forth in that certain Fee Letter dated October 13, 2016 (as revised October 28) by Agent to the Company. Any such fees shall be fully earned when paid and shall not be refundable for any reason.

ARTICLE 3 Increased Costs; Taxes; Illegality; Indemnity.

3.1 **Increased Costs.**

(a) **Increased Costs Generally**. If any Change in Law shall:

(i) impose, modify, or deem applicable any reserve, special deposit, compulsory loan, insurance charge, or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lending Party;

(ii) subject any Lending Party to any Taxes of any kind whatsoever with respect to this Agreement, any Note, or any other Loan Document, or any Loan hereunder or any other Obligation, or change the basis of taxation of payments to a Lending Party in respect thereof (except for Indemnified Taxes or Other Taxes covered below and the imposition of, or any change in the rate of, any Excluded Tax payable by a Lending Party); or

(iii) impose on any Lending Party or the London interbank market any other condition, cost, or expense (other than Taxes) affecting this Agreement, any Note, or any other Loan Document, or any Loan made by Lender;

and the result of any of the foregoing shall be to reduce the amount of any sum received or receivable by any Lending Party hereunder (whether of principal, interest or any other amount) then, upon request of Agent, the Company will pay to Agent for the account of each applicable Lending Party such additional amount or amounts as will compensate such a Lending Party for such additional costs incurred or reduction suffered.

(b) **Certificates for Reimbursement**. A certificate of Agent setting forth the amount or amounts necessary to compensate each Lending Party as specified in this Section 3.1 and delivered to the Company shall be conclusive absent manifest error. The Company shall pay Agent for the account of each applicable Lending Party the amount shown as due on any such certificate within ten (10) Business Days after receipt thereof.

(c) **Delay in Requests**. Failure or delay on the part of Agent to demand compensation pursuant to this Section 3.1 shall not constitute a waiver of any Lending Party's right to demand such compensation; provided that the Company shall not be required to compensate a Lending Party pursuant to this Section 3.1 for any increased costs incurred or reductions suffered more than 180 days prior to the date that Agent notifies the Company of the Change in Law giving rise to such increased costs or reductions or of Agent's intention to claim compensation therefor on behalf of the applicable Lending Party (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180 day period referred to above shall be extended to include the period of retroactive effect thereof).

3.2 **Taxes.**

(a) **Payments Free of Taxes**. Any and all payments by or on account of any Obligation of the Company hereunder or under any other Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Law. If any applicable Law (as determined in the good faith discretion of Agent) requires the deduction or withholding by Agent of any Tax from any such payment, then Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Official Body in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Company shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 3.2) Agent receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) **Payment of Other Taxes by the Company**. Without limiting the provisions of the foregoing clause (a) directly above, the Company shall timely pay to the relevant Official Body in accordance with applicable Law, or at the option of Agent timely reimburse it for the payment of, any Other Taxes.

(c) **Indemnification by the Company**. The Company shall indemnify each Lending Party, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.2) payable or paid by such Lending Party or required to be withheld or deducted from a payment to a Lending Party and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Official Body. A certificate as to the amount of such payment or liability delivered by Agent to the Company shall be conclusive absent manifest error.

(d) **Evidence of Payments**. As soon as practicable after any payment of Taxes by the Company to an Official Body, the Company shall deliver to Agent the original or a certified copy of a receipt issued by such Official Body evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to Agent.

(e) **Treatment of Certain Refunds**. If a Lending Party determines, in its sole discretion, that it has received a refund of any Taxes as to which it has been indemnified by the Company or with respect to which the Company has paid additional amounts to Agent pursuant to this Section 3.2, it shall pay to the Company an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Company to Agent under this Section 3.2 with respect to the Taxes giving rise to such refund), net of all expenses (including Taxes) of such Lending Party, and without interest (other than any interest paid by the relevant Official Body to Agent with respect to such refund). The Company, upon request of Agent, shall repay to Agent for the account of the applicable Lending Party any amount paid over pursuant to this paragraph (plus any penalties, interest or other charges imposed by the relevant Official Body) in the event such Lending Party is required to repay such refund to such Official Body. Notwithstanding anything to the contrary in this paragraph, in no event will any Lending Party be required to pay any amount to the Company pursuant to this paragraph, the payment of which would place such Lending Party in a less favorable net after-Tax position than it would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any Lending Party to make available its tax returns (or any other information relating to its Taxes that it deems confidential) to the Company or any other person or entity.

3.3 **LIBOR Index Rate Unascertainable; Illegality.**

(a) **Unascertainable**. If, on any date on which a LIBOR Index Rate would otherwise be determined, Agent shall have determined that:

(i) adequate and reasonable means do not exist for ascertaining such LIBOR Index Rate, or

(ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the LIBOR Index Rate,

then in either case Lender shall have the rights specified in Section 3.3(c).

(b) **Illegality**. If at any time Agent shall have determined that the making, maintenance or funding of any Loan to which the LIBOR Index Option applies has been made impracticable or unlawful by compliance by Agent in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any such Official Body (whether or not having the force of Law), then Agent shall have the rights specified in Section 3.3(c).

(c) **Lender and Agent's Rights**. In the case of an event specified in Section 3.3(a) or 3.3(b), Agent shall so notify the Company thereof, and in the case of an event specified in Section 3.3(b), such notice shall describe the specific circumstances of such event. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of Lender to allow the Company to select, convert to or renew a LIBOR Index Option shall be suspended until Agent shall have later notified the Company of Agent's determination that the circumstances giving rise to such previous determination no longer exist. If at any time Agent makes a determination under Section 3.3(a) and the Company has previously notified Agent of its selection of, conversion to or renewal of a LIBOR Index Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Quoted Rate Option with respect to such Loans. If Agent notifies the Company of a determination under Section 3.3(b), the Company shall, subject to the Company's indemnification Obligations under Section 3.4, as to any Loan of the Company to which a LIBOR Index Option applies, as applicable, on the date specified in such notice either convert such Loan to the Quoted Rate Option with respect to such Loan or prepay such Loan in accordance with Section 2.6. Absent due notice from the Company of conversion or prepayment, such Loan shall automatically be converted to the Quoted Rate Option with respect to such Loan upon such specified date. Notwithstanding any provision in the Loan Documents to the contrary and solely for purposes of this paragraph, the Quoted Rate Option shall mean a Quoted Rate that is fixed for a 30 day period and equal to the cost of funds of Agent plus 3.75% per annum.

3.4 **Indemnity.** The Company hereby agrees that upon demand by Agent, the Company will indemnify Lender against any loss or expense that Lender may have sustained or incurred (including any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Lender to fund or maintain Quoted Rate Option Loans) or that Lender may be deemed to have sustained or incurred, as reasonably determined by Agent, (a) as a consequence of any failure by the Company to make any payment when due of any amount due hereunder in connection with any Quoted Rate Option Loans, (b) due to any failure of the Company to borrow or convert any Quoted Rate Option Loans on a date specified therefor in a notice thereof, or (c) due to any payment or prepayment of any Quoted Rate Option Loans on a date other than the last day of the applicable period of such Quoted Rate for such Quoted Rate Option Loan. For this purpose, all Loan Requests shall be deemed to be irrevocable. Notwithstanding the foregoing, in the event of a conflict between the provisions of this Section 3.4 and of the broken funding charge section of a forward fix agreement between Lender and the Company, the provisions of the forward fix agreement shall control.

ARTICLE 4 Conditions Precedent. The obligation of Lender to provide any Facility or to make, issue, renew, or convert any Loan under this Agreement, any Note or any other Loan Document is subject to the ongoing performance by the Company of its obligations to be performed under this Agreement, the Notes, and each other Loan Document and to the satisfaction of all conditions set forth in this Agreement, the Notes, and each other Loan Document, including the following conditions:

4.1 **Initial Loans.**

(a) **Deliveries**. No later than the Closing Date (or such later date as Agent shall specify in its sole discretion), Agent shall have received each of the following (which, in the case of instruments and documents, must (unless otherwise stated below) be originals, duly executed, and in form and substance satisfactory to Agent):

(i) This Agreement, the Notes and the Environmental Indemnity and Reimbursement Agreement duly executed by an Authorized Officer of the Company or PEI, as applicable;

(ii) A Delegation Form;

(iii) (A) all resolutions and other corporate or other organizational action taken by the Company and PEI in connection with this Agreement and the other Loan Documents; (B) the names and titles of the Authorized Officers authorized to sign the Loan Documents and their true signatures; and (C) copies of the Organizational Documents of the Company and PEI as in effect on the Closing Date certified by the appropriate state official where such documents are filed in a state office together with certificates from the appropriate state officials as to the continued existence and good standing of the Company and PEI in each state where organized or qualified to do business;

(iv) A security agreement duly executed by an Authorized Officer of the Company granting to Agent, for the benefit of the Lending Parties, a first priority Lien, subject only to Permitted Liens, on all Personal Property Collateral of the Company, whether now owned or hereafter acquired, and a UCC-1 Financing Statement;

(v) Evidence, including a Lien search in acceptable scope from a provider satisfactory to Agent, that the security interests in and Liens on the Collateral are valid, enforceable, and properly perfected in a manner acceptable to Agent and prior to all other Liens (other than Permitted Liens);

(vi) An executed landlord's waiver or other lien waiver agreement from the lessor, warehouse operator, or other applicable Person for each Collateral location as required under or in connection with any security agreement;

(vii) Mortgages or deeds of trust in recordable form and duly executed by an Authorized Officer of the Company, in a face amount of no less than $192,000,000, granting to Lender a first priority Lien (subject only to Permitted Liens) on the Real Property Collateral;

(viii) A commitment to issue an ALTA lender's title insurance policy, in a form and from a title insurance company acceptable to Agent, in a face amount of no less than $96,000,000, insuring Lender's first priority Lien on the Real Property Collateral, with only such exceptions as may be approved by Agent, together with such endorsements as Agent may require (the "**Title Policy**");

(ix) An appraisal of the Real Property Collateral which indicates that the Real Property Collateral has an appraised value of $150,000,000 or more and which is otherwise satisfactory to Agent;

(x) Surveys of the Real Property Collateral satisfactory to Agent, with identification of each item with the corresponding exception number from the Title Policy, together with a certificate of the surveyor or other Person acceptable to Agent that the Real Property Collateral is or is not, as the case may be, in a special flood hazard area for purposes of the National Flood Insurance Program;

(xi) Evidence that the Company has taken all actions required under the Flood Laws or requested by Agent to assist in ensuring that Lender is in compliance with the Flood Laws applicable to the Collateral, including, but not limited to, providing Agent with the address or GPS coordinates of each structure on any real property that will be subject to mortgages or deeds of trust, and to the extent required under Section 6.6, obtaining flood insurance for such property, structures and contents prior to such property, structures and contents becoming Collateral;

(xii) A written opinion of counsel for the Company, dated no later than the Closing Date, in form and substance and from counsel reasonably satisfactory to Agent;

(xiii) Evidence that adequate insurance, including flood insurance on any Real Property Collateral, if applicable, required to be maintained under this Agreement or any other Loan Document is in full force and effect, with additional insured, mortgagee and lender loss payable special endorsements attached thereto in form and substance satisfactory to Agent and counsel (retained, engaged or employed by Agent) naming Agent, for the benefit of the Lending Parties, as additional insured, mortgagee and lender loss payee;

(xiv) Evidence of filing of all Official Body consents, approvals and filings, and all material third party consents and approvals required to effectuate the transactions contemplated hereby;

(xv) Phase I environmental assessments of the Real Property Collateral performed by an environmental assessment firm satisfactory to Agent or other environmental assessments and due diligence satisfactory to Agent;

(xvi) Evidence of compliance with Section 6.2 and a favorable determination of eligibility of the Company to borrow from Lender;

(xvii) A pro forma balance sheet of the Company as of the Closing Date which gives effect to the transactions contemplated by this Agreement, together with a duly completed Compliance Certificate as of the Closing Date, in each case, certified by the Chief Executive Officer, President, Chief Financial Officer, Controller or comparable Authorized Officer of the Company as having been prepared in good faith and fairly presenting in all material respects the financial position of the Company as of the date thereof. Such pro forma balance sheet and Compliance Certificate shall certify that the Working Capital of the Consolidated Group is not less than $20,000,000 as of the Closing Date;

(xviii) A payoff letter from Citibank, N.A. confirming the amount required to pay off all Indebtedness owing to such lender by the Company and confirming the discharge, release and termination of all Liens on the property of the Company upon receipt of such payoff amount;

(xix) A copy of the Risk Management Policy of the Company; and

(xx) All other Loan Documents and due diligence materials as Agent or its counsel may request in connection with this Agreement or any of the foregoing documents, instruments, or agreements.

(b) **Payment of Fees**. The Company shall have paid all fees and expenses of Agent and the Lending Parties, if any, payable on or before the Closing Date as required by this Agreement or any other Loan Document.

4.2 **Each Loan.** At the time of the making of any Loan (including the initial Loan) and after giving effect to each such proposed extension(s) of credit, the Company hereby certifies to Agent and Lender that at such time (and each request by the Company for a Loan is hereby deemed to be such certification):

(a) the representations and warranties of the Company and PEI contained in this Agreement and the other Loan Documents are true and correct in all material respects;

(b) no Event of Default or Default has occurred and is continuing;

(c) the making of the Loan does not contravene any Law applicable to Agent, any Lending Party, the Company or any Subsidiary of the Company;

(d) no Material Adverse Change has occurred since the date of the last audited financial statements of the Company delivered to Agent;

(e) the Company has satisfied any other conditions precedent set forth in each applicable Loan Document; and

(f) the Company has delivered to Agent a duly executed and completed Loan Request.

ARTICLE 5 Representations and Warranties. The Company represents and warrants to Agent and each of the Lending Parties, as of the date of this Agreement and as of the making of any Loan, as follows:

5.1 **Compliance with Loan Documents.** The Company is in compliance with all of the terms of this Agreement and the other Loan Documents, and no Event of Default or Default exists.

5.2 **Subsidiaries.** The Company has no Subsidiaries other than those which are set forth on Schedule 5.2, and all information provided on Schedule 5.2 is complete, true and correct. All stock and other equity interests in the Company and in each Subsidiary are owned free and clear of all Liens other than Permitted Liens. The stock or other equity interests of the Company and each Subsidiary of the Company has been duly authorized and validly issued and is fully paid and non-assessable.

5.3 **Organization; Compliance with Law; Ownership; Investment Companies.**

(a) The Company and each of its Subsidiaries (i) is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, (ii) has the lawful power to own or lease its properties and to engage in the business it conducts or proposes to conduct, and (iii) is duly qualified and in good standing in each jurisdiction where the property owned or leased by it or the nature of the business transacted by it makes such qualification necessary.

(b) The Company and each of its Subsidiaries is in compliance in all material respects with all applicable Laws.

(c) The Company and each of its Subsidiaries (i) has good and marketable title to or a valid leasehold interest in all of its properties, assets, and other rights it purports to own, free and clear of all Liens except Permitted Liens and (ii) owns or possesses all material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises, permits, and rights necessary to own and operate its properties and to carry on its business as presently conducted and planned to be conducted, without known, possible, alleged, or actual conflict with the rights of others. Neither the Company nor any of its Subsidiaries is an "investment company," as defined in, or subject to regulation under, the Investment Company Act of 1940.

5.4 **Power and Authority; Binding and Enforceable Agreement.**

(a) The Company has full limited liability company power to enter into, execute, deliver, carry out, incur the indebtedness contemplated by, and perform its Obligations under, the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part.

(b) This Agreement and each of the other Loan Documents (i) has been duly and validly executed and delivered by an Authorized Officer on behalf of the Company, to the extent it is a party thereto, and (ii) constitutes the legal, valid, and binding obligations of the Company, to the extent it is a party thereto, enforceable against the Company in accordance with its terms except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, or similar laws or equitable principles affecting creditors' rights generally.

(c) There exist no claims, deductions, defenses, or set-offs of any nature against any amount due or to become due under any Note or other Loan Document.

5.5 **Historical Financial Statements; Solvency.** The Company has delivered to Agent copies of its audited consolidated and consolidating, as applicable, year-end financial statements for and as of the end of the fiscal year ended December 31, 2015, together with copies of its unaudited consolidated and consolidating, as applicable, interim financial statements for the quarter ended September 30, 2016 (all such annual and interim statements being collectively referred to as the "**Statements**"). The Statements were compiled from the books and records maintained by the Company, are correct and complete and fairly represent the consolidated financial condition of the Company and its Subsidiaries as of the respective dates thereof and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied, subject (in the case of the interim statements) to normal year end audit adjustments. The assumptions constituting the basis on which the Company prepared the budgets and projections provided to Agent and developed the numbers set forth therein were developed in good faith, based on all information known to the Company at such time, it being understood that such budgets and projections are subject to inherent uncertainties and do not constitute a guaranty of future performance. Before and after giving effect to the Loans made by Lender hereunder and under each Note, the Company is solvent.

5.6 **Litigation.** Except as set forth on Schedule 5.6, there are no actions, suits, proceedings, or investigations pending or, to the knowledge of the Company, threatened, against the Company or any Subsidiary of the Company at law or in equity which individually or in the aggregate may result in any Material Adverse Change. Neither the Company nor any Subsidiary of the Company is in violation of any order, writ, injunction, or decree of any Official Body which may result in any Material Adverse Change.

5.7 **Taxes.** All federal, state, local, and other tax returns required to have been filed with respect to the Company and its Subsidiaries have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments, and other governmental charges which have or may become due pursuant to said returns or to assessments received, except to the extent that such taxes, fees, assessments, or other governmental charges are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made.

5.8 **Margin Stock.** No part of the proceeds of any Loan made by Lender has been or will be used, whether directly or indirectly, for any purpose that has resulted or will result in a violation of Regulation U or X of the Board of Governors of the Federal Reserve System.

5.9 **No Conflict; Etc.** The execution, delivery, or performance of any Loan Document by the Company will not conflict with, constitute a default under or result in any breach of (a) the terms and conditions of any certificate or articles of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement, or other Organizational Documents of the Company or (b) any Law or any material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or to which it is subject, or result in the creation or enforcement of any Lien whatsoever upon any property (now or hereafter acquired) of the Company or any of its Subsidiaries (other than Liens granted under the Loan Documents). There is no default under any such material agreement (referred to above) and neither the Company nor any Subsidiary of the Company is bound by any contractual obligation, or subject to any restriction in any Organizational Document, or any requirement of Law which could result in a Material Adverse Change. No consent, approval, exemption, order, or authorization of, or registration or filing with, any Official Body or any other Person is required by any Law or any agreement or Organizational Document in connection with the execution, delivery, or performance of any Loan Document. The proceeds of each Loan made by Lender shall be used for the purposes set forth in the applicable Note and as permitted by applicable Law.

5.10 **Full Disclosure; Application is True and Correct.** No Loan Document nor any other certificate, statement, agreement, or document furnished to Agent or any Lending Party in connection with this Agreement or any other Loan Document contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading. The Company is not aware of any Material Adverse Change which has not been disclosed in writing to Agent. All representations and warranties set forth in the New Borrower Application for Credit (Cooperatives) given at any time and from time to time by the Company to Agent are and remain true and correct in all material respects, except to the extent corrected or supplemented by this Agreement and the Schedules hereto.

5.11 **Insurance.**

(a) The properties of the Company and of each of its Subsidiaries are insured pursuant to policies and other bonds that are valid and in full force and effect and that provide coverage meeting the requirements of Section 6.6.

(b) The Company, to the extent required under the Flood Laws, has obtained flood insurance for such structures and contents constituting Collateral located in a flood hazard zone pursuant to policies that are valid and in full force and effect and which provide coverage meeting the requirements of Section 6.6.

5.12 **Environmental Matters.**

(a) The facilities and properties currently or formerly owned, leased or operated by the Company (the "**Properties**") do not contain any Hazardous Materials attributable to the Company's ownership, lease or operation of the Properties in amounts or concentrations or stored or utilized which (i) constitute or constituted a violation of Environmental Laws, or (ii) could reasonably be expected to give rise to any Environmental Liability;

(b) The Company has not received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to their activities at any of the Properties or the business operated by the Company (the "**Business**"), or any prior business for which the Company has retained liability under any Environmental Law;

(c) Hazardous Materials have not been transported or disposed of from the Properties in violation of, or in a manner or to a location which could reasonably be expected to give rise to any Environmental Liability for the Company, nor have any Hazardous Materials been generated, treated, stored or disposed of by or on behalf of the Company at, on or under any of the Properties in violation of Environmental Laws, or in a manner that could reasonably be expected to give rise to, Environmental Liability; and

(d) The Company and each of its Subsidiaries is and has been in compliance with applicable Environmental Laws.

(e) The representations and warranties set forth in this Section 5.12 are qualified in their entirety by reference to the Phase 1 environmental assessments, notices and letters delivered by the Company to Agent with respect to the Real Property Collateral and the matters set forth on Schedule 5.12(e).

5.13 **ERISA.**

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state Laws. The Company and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Plan had any unfunded pension liability (i.e. excess of benefit liabilities over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Plan for the applicable plan year) as of December 31, 2015 which caused the aggregate of all unfunded pension liabilities to exceed $7.6 million as of December 31, 2016, and there has been no increase in unfunded pension liabilities or requirement to fund any such liabilities since December 31, 2015 which could result in a Material Adverse Change; (iii) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any material liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any material liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

ARTICLE 6 Affirmative Covenants. The Company covenants and agrees that until Payment In Full, the Company shall be in compliance at all times with the following covenants:

6.1 **Reporting Requirements.** The Company shall furnish or cause to be furnished to Agent:

(a) **Monthly Financial Statements**. As soon as available and in any event within thirty (30) days after the end of each month, financial statements of the Company and its Consolidated Subsidiaries, if any, consisting of a balance sheet as of the end of each such month and related statements of income for the month then ended and the fiscal year through that date, and such other interim statements as Agent may specifically request, all in reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President, Chief Financial Officer, Controller or comparable Authorized Officer of the Company as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year.

(b) **Annual Financial Statements**. As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Company, financial statements of the Company and its Consolidated Subsidiaries, if any, consisting of a balance sheet as of the end of such fiscal year, and related statements of income and cash flows for the fiscal year then ended and all notes and schedules relating thereto, all prepared in accordance with GAAP and in reasonable detail, and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and audited by independent certified public accountants of nationally-recognized or industry-accepted standing and otherwise satisfactory to Agent. The certificate or report of accountants shall be free of qualifications, shall not indicate the occurrence or existence of any event, condition or contingency which would materially impair the prospect of payment or performance of any covenant, agreement, or duty of the Company under any of the Loan Documents and shall otherwise be satisfactory to Agent.

(c) **Certificate of the Company**. Together with each set of financial statements furnished to Agent pursuant to clauses (a) and (b) directly above, a certificate of the Company, substantially in the form of Exhibit C hereto and otherwise in form and content acceptable to Agent, signed by an Authorized Officer (i) setting forth calculations showing compliance with each of the financial covenants set forth in Article 8 as of the end of the period for which such statements are being furnished and (ii) certifying that no Event of Default or Default has occurred during the period covered by such financial statements or, if an Event of Default or Default has occurred, a description thereof and all actions taken or to be taken to remedy same (a "**Compliance Certificate**").

(d) **Financial Projections**. As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Company, financial projections of the Company for the then current fiscal year, together with an explanation of the assumptions used to forecast such financial projections.

(e) **Notices**.

(i) **Material Adverse Change; Default**. Promptly after any officer of the Company has learned of the occurrence of a Material Adverse Change or an Event of Default or Default, notice of such Material Adverse Change or Event of Default or Default and the action which the Company proposes to take with respect thereto.

(ii) **Litigation**. Promptly after the commencement thereof, notice of all actions, suits, proceedings, or investigations before or by any Official Body or any other Person against the Company or any Subsidiary of the Company which, if adversely determined, could constitute an Event of Default, Default, or Material Adverse Change.

(iii) **Environmental Litigation, Etc**. Promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or any other communication alleging a condition that may require the Company or any Subsidiary to undertake or to contribute to a cleanup or other response under Environmental Laws, or which seeks penalties, damages, injunctive relief, or criminal sanctions related to alleged material violations of such Environmental Laws, or which claim personal injury or property damage to any person as a result of Hazardous Materials.

(iv) **Erroneous Financial Information**. Immediately in the event that the Company or its accountants conclude or advise that any previously issued financial statement, audit report, or interim review should no longer be relied upon or that disclosure should be made or action should be taken to prevent future reliance, notice of the same.

(v) **Ethanol or Distillers Grain Marketers**. Promptly after the occurrence thereof, notice of (A) any change in the marketers used by the Company for ethanol or distillers grain and (B) the entry into any agreement or other contract, or any material amendment, restatement or other modification thereof, by the Company related to the marketing of ethanol or distillers grain, together with a duly executed copy thereof.

(vi) **ERISA Event**. Immediately upon the occurrence of any ERISA Event, notice of the same.

(vii) **Other Reports**. Promptly upon their becoming available to the Company (but in any event within the time period (if any) specified therefor below):

(1) **Management Letters**. Any reports including management letters submitted to the Company by independent accountants in connection with any annual, interim, or special audit, to be supplied not later than 30 days after receipt by the Company thereof; and

(2) **SEC Reports; Shareholder Communications**. Public reports, including Forms 10-K, 10-Q and 8-K, registration statements and prospectuses and other shareholder communications, filed by PEI and the Company (to the extent the Company is or becomes an SEC reporting company) with the SEC to be supplied not later than 45 days after the last day of each calendar quarter (provided that separate delivery shall not be required to the extent the same is publicly available on the SEC's EDGAR system); and

(3) **Other Information**. Such other reports and information as Agent may from time to time reasonably request.

6.2 **Lender Equity; Patronage; Statutory Lien; Voting Stockholder.**

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

(b) **Patronage**. The Company acknowledges that Lender's Bylaws and Capital Plan (as each may be amended from time to time) shall govern (x) 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 Lender, (y) the Company's eligibility for patronage distributions from Lender (in the form of Lender Equities and cash) and (z) patronage distributions, if any, in the event of a sale by Lender of a participation interest in the Loans and other financial accommodations made hereunder. 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 Lender has a statutory first Lien pursuant to the Farm Credit Act of 1971, as amended from time to time, on all Lender Equities that the Company may now own or hereafter acquire, which statutory Lien shall secure the Obligations due to Lender and be for Lender's sole and exclusive benefit. The Lender Equities shall not constitute security for obligations due to any other lender or participant hereunder (other than a Subsidiary or Affiliate of Lender). To the extent that any of the Loan Documents creates a Lien on the Lender Equities or on patronage accrued by Lender for the account of the Company (including, in each case, proceeds thereof), such Lien shall be for 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 Lender to the extent any Obligations are owing by the Company to any of them). Neither the Lender Equities nor any accrued patronage shall be offset against the Obligations except that, in the event of an Event of Default, Lender may elect to apply the cash portion of any patronage distribution or retirement of Lender Equities to amounts due to Lender under this Agreement. The Company acknowledges that any corresponding tax liability associated with such application is the sole responsibility of the Company. Lender shall have no obligation to retire the Lender Equities upon any Event of Default, Default, or any other breach or default by the Company, or at any other time, either for application to the Obligations or otherwise.

(d) **Voting Stockholder**. Bryon T. McGregor is authorized by the Company to exercise any voting rights on behalf of the Company with respect to the Lender Equities, subject to applicable bylaws, and to receive effective interest rate disclosures, unless otherwise agreed in writing between the parties.

6.3 **Collateral Security.** Payment and performance of the Obligations shall be secured by first priority perfected Liens on all personal property of the Company (the "**Personal Property Collateral**") and by a first priority recorded Lien on all real property and improvements of the Company, including the fee estate of the Company in the real property and improvements described in Annex B to this Agreement (the "**Real Property Collateral**"), in each case, whether now owned or hereafter acquired (the Personal Property Collateral and the Real Property Collateral are collectively referred to as the "**Collateral**"), subject only to Permitted Liens or other exceptions approved in writing by Agent. Prior to or substantially contemporaneously with the date of this Agreement and at such other times as Agent may request (including each time the Company acquires any real property or any personal property not already subject to the Lien required herein), the Company shall execute and deliver to Agent such security agreements, pledge agreements, assignments, mortgages, deeds of trust, and other documents and agreements requested by Agent for the purpose of creating, perfecting, and maintaining a perfected Lien on the Collateral, subject only to Permitted Liens or other exceptions approved in writing by Agent. The Company hereby authorizes Agent to file such Uniform Commercial Code financing statements as Agent reasonably determines are necessary or advisable to perfect the security interests in and Liens on the Collateral.

6.4 **Preservation of Existence; Eligibility to Borrow; Etc.** Except as expressly permitted by Section 7.5 or Section 7.6, the Company shall, and shall cause each of its Subsidiaries to, (a) maintain its legal existence in the form in which it exists as of the date of this Agreement in its jurisdiction of organization, and its qualification and good standing in each jurisdiction where such qualification is required; and (b) obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or required by Law. The Company shall, at all times, be an entity eligible to borrow from Lender and shall comply in all material respects with the provisions of its Organizational Documents and any patron or member investment program it may have.

6.5 **Payment of Liabilities; Including Taxes; Etc.** The Company shall, and shall cause each of its Subsidiaries to, duly pay and discharge all liabilities to which it is subject or which are asserted against it, promptly as and when the same shall become due and payable, including all Taxes, assessments, and governmental charges upon it or any of its properties, assets, income or profits, prior to the date on which penalties attach thereto, except to the extent that any such liabilities are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made and provided further that such proceedings shall operate to stay levy and execution on any Collateral.

6.6 **Maintenance of Insurance.**

(a) The Company shall, and shall cause each of its Subsidiaries to, insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability and business interruption insurance) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers, including self-insurance to the extent customary, all as reasonably determined by Agent. Such insurance policies shall contain additional insured, mortgagee and lender loss payable special endorsements in form and substance satisfactory to Agent naming Agent, on behalf of the Lending Parties, additional insured, mortgagee and lender loss payee, as applicable, and providing Agent with notice of cancellation acceptable to Agent.

(b) The Company shall, to the extent required under the Flood Laws, obtain and maintain flood insurance for such structures and contents constituting Collateral located in a flood hazard zone, in such amounts as similar structures and contents are insured by prudent companies in similar circumstances carrying on similar businesses and otherwise reasonably satisfactory to Agent. If the Company fails to obtain and maintain, at any time, such flood insurance, Agent may, in its sole discretion, obtain such flood insurance on behalf of the Company on such Collateral at the Company's cost and expense.

6.7 **Maintenance of Properties.** The Company shall, and shall cause each of its Subsidiaries to, maintain in good repair, working order, and condition (ordinary wear and tear excepted), all of those properties (regardless whether owned or leased) useful or necessary to its business.

6.8 **Visitation and Inspection Rights.** The Company shall, and shall cause each of its Subsidiaries to, permit any of the officers or authorized employees or representatives of Agent and its participants to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances, and accounts with its officers, employees, directors, and accountants, all in such detail and at such times and as often as Agent and its participants may reasonably request, provided that until the occurrence of an Event of Default or Default, Agent shall provide the Company with reasonable notice prior to any visit or inspection. The Company will permit Agent or its agents to conduct on an annual basis a review of the Collateral, and the Company shall pay to Agent a reasonable collateral inspection fee designated by Agent and reimburse Agent for all reasonable costs and expenses incurred by Agent in connection therewith. Upon the occurrence of an Event of Default or Default, Agent and its agents may conduct such collateral inspection reviews at any time and from time to time and the Company shall owe such collateral inspection fee and reimbursement obligation to Agent in connection with each such collateral inspection.

6.9 **Keeping of Records and Books of Account.** The Company shall, and shall cause each of its Subsidiaries to, maintain and keep proper books of record and account in accordance with GAAP and as otherwise required by applicable Law, and in which full, true and correct entries shall be made.

6.10 **Compliance with Laws; Use of Proceeds.** The Company shall, and shall cause each of its Subsidiaries and all Persons occupying or present on its or their property, to, comply with all applicable Laws, including all Environmental Laws, in all material respects. The Company shall, and shall cause each of its Subsidiaries to, use the proceeds of the Loans only for the purposes set forth in the applicable Note and as permitted by applicable Law.

6.11 Updates to Schedules. Should any of the information or disclosures provided on any of the Schedules hereto become outdated or incorrect in any material respect, the Company shall promptly provide Agent in writing with such revisions or updates to such Schedule as may be necessary or appropriate to update or correct the same. No Schedule shall be deemed to have been amended, modified, or superseded by any such correction or update, nor shall any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule be deemed to have been cured thereby, unless and until Agent, in its sole and absolute discretion, shall have accepted in writing such revisions or updates to such Schedule; provided, however, that the Company may update Schedule 5.2 without any approval by Agent in connection with any liquidation, disposition, formation, merger, or acquisition of a Subsidiary permitted under this Agreement.

6.12 **Additional Items.** The Company shall provide Agent with each of the following (which, in the case of instruments and documents, must (unless otherwise stated below) be originals, duly executed, and in form and substance satisfactory to Agent), on or before the date indicated:

(a) The Title Policy, on or before March 1, 2017;

(b) An executed collateral assignment, subordination agreement or other similar agreement from the Persons party to any agreement with the Company set forth on the attached Schedule 6.12(b), on or before March 1, 2017;

(c) A control agreement in respect of each Brokerage Account maintained by the Company, in each case properly executed on behalf of each of the parties thereto, on or before March 1, 2017;

(d) Survey and subdivision of any portion of the Real Property Collateral requested by Agent or Lender for the purpose of Lender releasing its Lien for any such portion of the Real Estate Collateral as Lender may desire, at any time at the request of Agent or Lender; and

(e) Payment of all fees and expenses of Agent and the Lending Parties, if any, as required by this Agreement or any other Loan Document, on or before March 1, 2017.

6.13 **Further Assurances.** The Company shall from time to time, at its expense, do such other acts and things as Agent in its reasonable discretion may deem necessary or advisable from time to time in order to more fully carry out the provisions and purpose of this Agreement and the other Loan Documents including, but not limited to, execution and delivery of collateral assignments, subordination agreements, control agreements, subordination, non-disturbance and attornment agreements and other similar agreements.

ARTICLE 7 Negative Covenants. The Company covenants and agrees that until Payment In Full, the Company shall be in compliance at all times with the following covenants:

7.1 **Indebtedness.** The Company shall not, and shall not permit any Subsidiary to, at any time create, incur, assume or suffer to exist any Indebtedness, except for the following referred to as "**Permitted Indebtedness**":

(a) Indebtedness of the Company under the Loan Documents;

(b) Any Interest Rate Hedge utilized solely for hedging interest rate risks (and not in any event for speculative purposes) provided by any Lending Party;

(c) Other Indebtedness of the Company not otherwise permitted under this Section 7.1 in an aggregate principal amount outstanding at any time not to exceed $1,000,000; provided, that the terms thereof are acceptable to Agent in its sole discretion; and

(d) Capital Leases entered into with Farm Credit Leasing Services Corporation.

7.2 **Liens.** The Company shall not, and shall not permit any Subsidiary to, at any time create, incur, assume, or suffer to exist any Liens on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except for the following referred to collectively as "**Permitted Liens**":

(a) Liens for Taxes incurred that are not yet due and payable and for which adequate reserves have been established;

(b) Pledges or deposits made in the ordinary course of business to secure payment of workmen's compensation, or to participate in any fund in connection with workmen's compensation, unemployment insurance, old-age pensions or other social security programs, and good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business, and Liens of a collecting bank arising in the ordinary course of business under Section 4-210 of the Uniform Commercial Code in effect in the relevant jurisdiction covering only the items being collected upon;

(c) Liens of mechanics, material suppliers, warehouses, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and payable and Liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default and for which adequate reserves have been established;

(d) Encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(e) Liens in favor of Agent for the benefit of the Lending Parties or any of their Affiliates securing any of the Obligations;

(f) Liens securing the Indebtedness permitted under Section 7.1(c);

(g) Liens securing the Indebtedness permitted under Section 7.1(d);

(h) Lender's statutory Lien in the Lender Equities; and

(i) Liens, claims, or encumbrances upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits (y) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed or (z) if a final judgment is entered and such judgment is discharged within thirty (30) days of entry, and in either case they do not affect the Collateral or, in the aggregate, materially impair the ability of the Company to perform its Obligations hereunder or under the other Loan Documents.

7.3 **Guaranties.** The Company shall not, and shall not permit any Subsidiary to, at any time, directly or indirectly, become or be liable in respect of any obligation guarantying or in effect guarantying any liability or obligation of any other Person in any manner, whether directly or indirectly, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business, or assume, guaranty, become surety for, endorse or otherwise agree, become or remain directly or contingently liable upon or with respect to any obligation or liability of any other Person.

7.4 **Loans and Investments.** The Company shall not, and shall not permit any Subsidiary to, at any time make or suffer to exist any investments or capital contributions in, or other transfers of assets to, or loans, advances or other extensions of credit to any other Person, except: (a) trade credit extended on usual and customary terms in the ordinary course of business; (b) advance payments or deposits against purchases made in the ordinary course of business; (c) direct obligations of the United States of America; (d) temporary advances to employees to meet expenses incurred in the ordinary course of business; and (e) the Lender Equities and any other stock or securities of, or investments in, Lender or its investment services or programs.

7.5 **Liquidations; Mergers; Consolidations; Acquisitions.** The Company shall not, and shall not permit any Subsidiary to, dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or a material portion of the assets or capital stock of any other Person.

7.6 **Dispositions of Assets or Subsidiaries.** The Company shall not, and shall not permit any Subsidiary to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests or limited liability company interests of a Subsidiary), except for transactions in the ordinary course of business.

7.7 **Dividends and Related Distributions.** The Company shall not, and shall not permit any of its Subsidiaries to, make or pay, or agree to become or remain liable to make or pay, any dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its shares of capital stock, partnership interests or limited liability company interests or on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor), partnership interests or limited liability company interests, except (a) an annual dividend or other distribution payable by the Company to its members with respect to any fiscal year of the Company ending on or after December 31, 2017; provided that (i) the amount of such dividend or other distribution does not exceed 40% of the net income of the Company for such fiscal year, (ii) the Company has delivered its audited financial statements for such fiscal year to CoBank in accordance with Section 6.1(b), (iii) such annual dividend or other distribution is made prior to the April 30th first occurring after the end of such fiscal year, (iv) the Working Capital of the Consolidated Group was $20,000,000 or more as of the last day of such fiscal year before any such annual dividend or other distribution was proposed to be made pursuant to this Section 7.7, would have been $20,000,000 or more as of the last day of such fiscal year after giving pro forma effect to the making of any such annual dividend or other distribution pursuant to this Section 7.7 as of the last day of such fiscal year and will be $20,000,000 or more immediately after any such annual dividend or other distribution is actually made pursuant to this Section 7.7 and (v) no Event of Default or Default has occurred or would result therefrom; and (b) periodic dividends or other distributions payable by the Company to its members after December 31, 2017; provided that (i) the Working Capital of the Consolidated Group was $26,000,000 or more as of the last day of the most recently-reported calendar month before any such periodic dividend or other distribution was proposed to be made pursuant to this Section 7.7, would have been $26,000,000 or more as of the last day of such calendar month after giving pro forma effect to the making of any such periodic dividend or other distribution pursuant to this Section 7.7 as of the last day of such calendar month and will be $26,000,000 or more immediately after any such periodic dividend or other distribution is actually made pursuant to this Section 7.7 and (ii) no Event of Default or Default has occurred or would result therefrom.

7.8 **Affiliate Transactions.** The Company shall not, and shall not permit any Subsidiary to, enter into or carry out any transaction with any Affiliate unless such transaction is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and conditions and is in accordance with all applicable Law.

7.9 **Subsidiaries; Partnerships; and Joint Ventures.** The Company shall not, and shall not permit any Subsidiary to, own or create directly or indirectly any domestic Subsidiary. Without the prior written consent of Agent, the Company shall not become or agree to become a party to a joint venture and the Company shall not own any Subsidiary organized under the laws of a foreign nation or political subdivision thereof.

7.10 **Continuation of or Change in Business.** The Company shall not, and shall not permit any of its Subsidiaries to, engage in any business other than the business substantially as conducted and operated by the Company or any Subsidiary of the Company on the date hereof or as presently proposed to be conducted.

7.11 **Fiscal Year.** The Company shall not, and shall not permit any Subsidiary of the Company to, change its fiscal year from that which is in effect on the date hereof.

7.12 **Issuance of Stock.** The Company shall not, and shall not permit any of its Subsidiaries to, issue any additional membership interests or shares of its capital stock or any options, warrants or other rights in respect thereof except as may be required by Law or its Organizational Documents as in effect as of the date of this Agreement.

7.13 **Changes in Organizational Documents or Risk Management Policy of the Company.** The Company shall not, and shall not permit any of its Subsidiaries to, amend in any material respect its Organizational Documents or Risk Management Policy of the Company without providing at least thirty (30) calendar days' prior written notice to Agent (together with copies of any such proposed amendment) and, in the event such change could be adverse to any Lending Party as determined in Agent's sole discretion, obtaining the prior written consent of Agent on behalf of the Lending Parties. The Company shall take such actions as Agent may reasonably request to protect the Lien of Agent, for the benefit of the Lending Parties, in the Collateral or otherwise to protect the interests of the Lending Parties as a lender hereunder, as a result in either case of any change in an Organizational Document or the Risk Management Policy of the Company.

7.14 **Anti-Terrorism Laws.** Neither the Company nor any Subsidiary shall be (a) a Person with whom any Lending Party is restricted from doing business under Executive Order No. 13224 or any other Anti-Terrorism Law, (b) engaged in any business involved in making or receiving any contribution of funds, goods or services to or for the benefit of such a Person or in any transaction that evades or avoids, or has the purpose of evading or avoiding, the prohibitions set forth in any Anti-Terrorism Law, or (c) otherwise in violation of any Anti-Terrorism Law. The Company shall provide to Agent any certifications or information that Agent requests to confirm compliance by the Company and its Subsidiaries with any Anti-Terrorism Law.

7.15 **Rail Car Leases.** The Company and its Subsidiaries shall not enter into or otherwise become a party to any Operating Leases or Capital Leases for rail cars, other than (a) Operating Leases or Capital Leases for up to 300 rail cars which provide for a lease term (whether initially or through extension) of 85 months or more and (b) Operating Leases or Capital Leases for any number of rail cars which provide for a lease term (whether initially or through extension) of less than 85 months.

7.16 **Operating Leases.** The Company and its Subsidiaries shall not make any payments in any fiscal year on account of Operating Leases (other than any such leases for rail cars and such leases with Farm Credit Leasing Services Corporation) exceeding $300,000 in the aggregate.

7.17 **Repurchase Agreements.** The Company shall not, and it shall not cause or permit any Subsidiary to, enter into or be a party to any Repurchase Agreement.

ARTICLE 8 Financial Covenants.

8.1 **Working Capital.** The Company will maintain the Working Capital of the Consolidated Group at not less than $20,000,000, commencing on the Closing Date and continuing at all times thereafter, measured as of the last day of each calendar month.

8.2 **Debt Service Coverage Ratio.** The Company will not permit the Debt Service Coverage Ratio of the Consolidated Group to be less than 1.25 to 1.00, measured as of the last day of each fiscal year of the Company, commencing on the fiscal year ending on December 31, 2017.

ARTICLE 9 Default.

9.1 **Events of Default.** An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary, or effected by operation of Law) (each an "**Event of Default**"):

(a) **Payments Under Loan Documents**. The Company or PEI shall fail to pay any scheduled principal, interest, fee, or other amount owing hereunder or under any other Loan Document when due, whether by acceleration or otherwise, should fail to pay any unscheduled amount owing hereunder or under any other Loan Document within five (5) days after receipt of written notice from Agent, or should fail to purchase the Lender Equities as and when required by Lender's Bylaws and Capital Plan or those of its parent association.

(b) **Breach of Representation or Warranty**. Any representation or warranty made or deemed made at any time by the Company or PEI herein or in any other Loan Document shall be false or misleading in any material respect as of the time it was made or deemed made.

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

(d) **Breach of Other Covenants**. The Company or PEI shall default in the observance or performance of any other covenant, condition, or provision hereof or of any other Loan Document or of any other agreement or instrument between the Company or PEI and any Lending Party or any Affiliate of any Lending Party, and such default shall remain unremedied after the expiration of the applicable grace period or, if there is no such applicable grace period, for a period of thirty (30) days.

(e) **Defaults in Indebtedness to Other Lenders**. A default or event of default shall occur at any time under the terms of any other Indebtedness in an aggregate principal amount of $250,000 or more under which the Company or any Subsidiary of the Company may be obligated (including as a borrower or guarantor), and such breach, default, or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any Indebtedness when due (whether at stated maturity, by acceleration, or otherwise) or if such breach or default permits or causes the acceleration of any Indebtedness (whether or not such right shall have been exercised or waived) or the termination of any commitment to lend.

(f) **Final Judgments or Orders**. Any final judgments or orders for the payment of money shall be entered against the Company by a court having jurisdiction in the premises, in an aggregate amount in excess of $500,000, which judgment is not discharged, vacated, bonded, or stayed pending appeal within thirty (30) days after the entry of such final judgment; or the Company's or any of its Subsidiaries' assets valued in an aggregate amount in excess of $500,000 are attached, seized, levied upon or subjected to a writ or distress warrant; or such come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors.

(g) **Loan Document Unenforceable**. Any of the Loan Documents shall cease to be legal, valid, and binding agreements enforceable against the Company or PEI or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or Agent, on behalf of the Lending Parties, fails to have an enforceable first priority Lien (subject only to Permitted Liens) on or security interest in any Collateral given as security for any of the Obligations.

(h) **Uninsured Losses**. There shall occur any uninsured damage to or loss, theft, or destruction of any Collateral for any of the Obligations valued in an aggregate amount in excess of $500,000; unless, within ten (10) Business Days of such damage, loss, theft or destruction, the Company deposits with Agent such amount as Agent, in its sole discretion, determines is necessary to correct or remedy the damage, loss, theft or destruction.

(i) **Events Relating to Plans and Benefit Arrangements**. (i) An ERISA Event occurs with respect to a Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $500,000, or (ii) the Company or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $500,000.

(j) **Change of Control**. There shall occur any Change of Control with respect to the Company.

(k) **Material Adverse Change**. There shall occur any Material Adverse Change with respect to the Company.

(l) **Relief Proceedings**. (i) Any proceeding seeking a decree or order for relief in respect of PEI, the Company or any Subsidiary of the Company in a voluntary or involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of PEI, the Company or any Subsidiary of the Company for any material part of its property, or for the winding-up or liquidation of its affairs, or an assignment for the benefit of its creditors (each a "**Relief Proceeding**") shall have been instituted against PEI, the Company or any Subsidiary of the Company and, in the case of any involuntary proceeding, such Relief Proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days, or such court shall enter a decree or order granting any of the relief sought in such Relief Proceeding, (ii) PEI, the Company or any Subsidiary of the Company institutes, or takes any action in furtherance of, a Relief Proceeding, or (iii) PEI, the Company or any Subsidiary of the Company ceases to be solvent or admits in writing its inability to pay its debts generally as they come due or fails to pay its debts as they come due; provided, that cautionary statements and risk factor disclosures made by PEI to investors or prospective investors shall not be deemed to constitute such an admission.

(m) **Affiliate Accounts**. The Company shall fail to collect any account receivable from any Affiliate of the Company within ten (10) Business Days after such account receivable arises.

9.2 **Remedies.**

(a) **Events of Default Other Than Bankruptcy, Insolvency or Reorganization Proceedings**. If an Event of Default specified under Sections 9.1(a) through 9.1(j) shall occur and be continuing, Lender: (i) shall be under no further obligation to extend credit hereunder or under any Note, and may discontinue doing so at any time without prior notice to the Company or other limitation; and (ii) may, in addition to any remedies allowed by any other Loan Document or Law, (A) by written notice to the Company (which may be provided by Agent), declare the unpaid principal amount of the Obligations then outstanding and all interest accrued thereon, any unpaid fees and all other Obligations and Indebtedness of the Company to Lender and Cash Management Provider hereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to Lender and Cash Management Provider, as applicable, without presentment, demand, protest, or any other notice of any kind, all of which are hereby expressly waived; and (B) require the Company to, and the Company shall thereupon, deposit in a non-interest-bearing account with or as directed by Agent, as cash collateral for its Obligations, an amount equal to such Obligations, and the Company hereby pledges to Agent, for the benefit of the Lending Parties, and grants to Agent, for the benefit of the Lending Parties, a security interest in, all such cash as security for such Obligations and the Company shall agree to do all things as reasonably requested by Agent in order to provide Agent, for the benefit of the Lending Parties, with a first priority security interest in such deposit account, including allowing the deposit to be in the name of Agent.

(b) **Bankruptcy, Insolvency or Reorganization Proceedings**. If an Event of Default specified under Section 9.1(l) shall occur, Lender shall be under no further obligations to extend credit hereunder or under any other Loan Document and the unpaid principal amount of the Obligations then outstanding and all interest accrued thereon, any unpaid fees and all other Obligations and Indebtedness of the Company to Lender and Cash Management Provider hereunder and thereunder shall be immediately due and payable, without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived.

(c) **Set-off**. If an Event of Default shall have occurred and be continuing, Agent is hereby authorized at any time to the fullest extent permitted by applicable Law, to set off and apply any and all funds (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by any Lending Party or any Affiliate of any Lending Party to or for the credit or the account of the Company against any and all of the Obligations of the Company now or hereafter existing under this Agreement or any other Loan Document to such Lending Party or such Affiliate. The rights of the Lending Parties and their Affiliates under this Section 9.2(c) are in addition to other rights and remedies (including other rights of setoff) that the Lending Parties or their Affiliates may have. Agent agrees to notify the Company promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

(d) **Application of Proceeds**. From and after the date on which Agent has taken any action pursuant to this Section 9.2 and automatically following an acceleration under Section 9.2(b), and until Payment in Full, any and all proceeds received by Agent from any sale or other disposition of any Collateral for any of the Obligations, or any part thereof, or the exercise of any other remedy by Agent, shall be applied as set forth in Section 10.12, to the extent permitted by applicable law.

ARTICLE 10 Agent.

10.1 Appointment, Powers and Immunities of Agent. The Lending Parties hereby appoint and authorize Agent to act as their agent under the Loan Documents with such powers as are specifically delegated to Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Agent shall, on behalf of the Lending Parties, perform all of the loan servicing duties under the Loan Documents. Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the Loan Documents, and shall not be a trustee or fiduciary for the Lending Parties regardless of whether a Default or Event of Default has occurred and is continuing. Agent shall administer its duties and responsibilities in accordance with its customary practices and procedures with respect to similar loans for its own account. Agent may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Subject to the preceding sentence, neither Agent nor any of its respective directors, officers, employees or agents (each, a "**Related Party**" and collectively, the "**Related Parties**") shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or under the Loan Documents or in connection herewith or therewith, except for its or their own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, nonappealable order; provided that in no event shall Agent or any Related Party be liable for any action taken or omitted to be taken by it with the consent or at the request of a Lending Party. The Company shall pay any fee(s) with respect to Agent's services hereunder. The Company acknowledges the appointment of Agent and agrees that the provisions of this ARTICLE 10 are solely for the benefit of the Lending Parties and the Related Parties, and that the Company shall not have rights under this ARTICLE 10, including as a third party beneficiary.

10.2 Reliance by Agent. Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, facsimile, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper person or persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Agent.

10.3 Defaults. Agent shall not be deemed to have knowledge of the occurrence of a Default or Event of Default unless Agent has received notice from a Lending Party or the Company specifying such Default or Event of Default and stating that such notice is a "Notice of Default." In the event that Agent receives such a Notice of Default from the Company, Agent shall give prompt notice thereof to the Lending Parties. Agent shall take such action with respect to such Default or Event of Default which is continuing as determined by the Lending Parties. Agent shall not be required to take any action which it or its counsel determines to be contrary to Law or any Loan Document, or that would expose Agent to liability.

10.4 Non-Reliance on Agent. Lender agrees that it has, independently and without reliance on Agent, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Company and the decision to enter into this Agreement and either originate the Loans or purchase a participation in the Loan Documents and that it will, independently and without reliance upon Agent, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement and the other Loan Documents. Except as explicitly provided in the Loan Documents, none of Agent, Cash Management Provider nor any Related Party shall be responsible to Lender for, nor shall it have any duty to ascertain, inquire into or verify (a) any recitals, reports, statements, representations or warranties made in connection with this Agreement or the other Loan Documents, (b) the contents of any certificate, report, instrument or other document referred to, provided for or delivered under or in connection with this Agreement or the other Loan Documents, (c) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in this Agreement or the other Loan Documents or the occurrence of any Default or Event of Default or the failure of the Company to perform any of its obligations hereunder or thereunder, (d) the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or any document or instrument referred to or provided for herein or therein or (e) the creation, attachment, perfection or priority of any security interests or other liens purported to be granted to Lender pursuant to the Loan Documents. Except as explicitly provided in the Loan Documents, Agent shall not be required to file this Agreement, any other Loan Document or any document or instrument referred to herein or therein, or record or give notice of this Agreement or any other Loan Document or any document or instrument referred to herein or therein, to anyone. Lender acknowledges and agrees that Agent only has the duties and responsibilities explicitly set forth herein and in the other Loan Documents.

10.5 Failure of Agent to Act. Except for action expressly required of Agent hereunder, Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall have received further assurances (which may include cash collateral) in respect of any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

10.6 Resignation or Removal of Agent. Subject to the appointment and acceptance of a successor Agent, as provided below, Agent may resign at any time by giving written notice thereof to the Lending Parties and the Company. Upon any such resignation, the Lending Parties shall have the right to appoint a successor Agent, which must be located in the United States of America. If no successor Agent shall have been so appointed and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Lending Parties, appoint a successor agent which must be located in the United States of America. The Lending Parties or the retiring Agent, as the case may be, shall upon the appointment of a successor agent promptly so notify the Company. Upon the acceptance of any appointment as Agent hereunder by a successor agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall be discharged from its duties and obligations hereunder, except for any liability arising from gross negligence or willful misconduct prior to such discharge as determined by a court of competent jurisdiction in a final, nonappealable order. After any retiring Agent's resignation hereunder as Agent, the provisions of this Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent. Lender may, with cause, remove Agent as agent hereunder and appoint a successor Agent, which must be located in the United States of America.

10.7 Amendments Concerning Agency Function. Agent shall not be bound by any waiver, amendment, supplement or modification of this Agreement or the other Loan Documents which affects its duties hereunder or thereunder unless it shall have given its prior consent thereto.

10.8 Liability of Agent. Agent shall not have any liabilities or responsibilities to the Company on account of the failure of a Lending Party to perform its obligations hereunder or to a Lending Party on account of the failure of the Company to perform its obligations hereunder or under the other Loan Documents.

10.9 Transfer of Agency Function. Without the consent of the Company or the Lending Parties, Agent may at any time or from time to time transfer its functions as Agent hereunder to any of its offices located in the United States of America, provided that Agent shall promptly notify the Company and the Lending Parties.

10.10 **Non-Receipt of Funds by Agent.**

(a) Unless Agent shall have received notice from Lender prior to the date on which Lender is to provide funds to Agent for an advance to be made by Lender that Lender will not make available to Agent such funds, Agent may assume that Lender has made such funds available to Agent on the date of such advance in accordance with the terms of this Agreement and the other Loan Documents and Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent Lender shall not have made such funds available to Agent, Lender agrees to repay Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Company until the date such amount is repaid to Agent, at the customary rate set by Agent for the correction of errors among banks for three (3) Business Days and thereafter at the Quoted Rate. If Lender shall repay to Agent such corresponding amount, such amount so repaid shall constitute Lender's advance for purposes of this Agreement and the other Loan Documents. If Lender does not pay such corresponding amount forthwith upon Agent's demand therefor, Agent shall promptly notify the Company, and the Company shall immediately pay such corresponding amount to Agent with the interest thereon, for each day from the date such amount is made available to the Company until the date such amount is repaid to Agent, at the rate of interest applicable at the time to such proposed advance.

(b) Unless Agent shall have received notice from the Company prior to the date on which any payment is due hereunder that the Company will not make such payment in full, Agent may assume that the Company has made such payment in full to Agent on such date and Agent in its sole discretion may, but shall not be obligated to, in reliance upon such assumption, cause to be distributed to Lender on such due date an amount equal to the amount then due Lender. If and to the extent the Company shall not have so made such payment in full to Agent, Lender shall repay to Agent forthwith on demand such amount distributed to Lender together with interest thereon, for each day from the date such amount is distributed to Lender until the date Lender repays such amount to Agent at the customary rate set by Agent for the correction of errors among banks for three (3) Business Days and thereafter at the Quoted Rate.

10.11 Security Interests. The Lending Parties and Agent each agree that the security interests granted by the Company to Agent, on behalf of the Lending Parties under all security agreements, pledge agreements, assignments, mortgages, deeds of trust, and other documents and agreements granting security interests, among the Company, as Grantor, and Agent, for the benefit of the Lending Parties, to secure the obligations or indebtedness of the Company to the Lending Parties, shall secure the Lending Parties on a *pari passu* and *pro rata* basis.

10.12 Intercreditor Provisions. After the occurrence of an Event of Default, any amounts collected on the Collateral or payments received under the Loan Documents shall be applied first, to the payment of all reasonable out-of-pocket costs and expenses incurred by the Lending Parties and Agent in enforcing its or their rights against the Company; second, to the payment of any fees owed to the Lending Parties and Agent; third, to the payment of all accrued and unpaid interest under the Loan Documents and amounts due as a result of cash management services performed by Cash Management Provider; fourth, to the payment of outstanding principal amounts of the Company's Obligations under the Loan Documents; fifth, to the payment of any other of the Company's obligations to the Lending Parties or Agent; and sixth, to the payment of the surplus, if any, to whomever may be lawfully entitled to receive such surplus. In carrying out the foregoing, (a) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; and (b) if the amounts received are insufficient to pay all amounts due within a particular category, then each party shall receive an amount equal to its pro rata share (based on the proportion that the amount owed to that party within such category bears to the aggregate amount due within that category) of amounts available to be applied pursuant to clauses "first," "second," "third," "fourth," and "fifth" above.

ARTICLE 11 Miscellaneous.

11.1 **Amendments; Waivers; Severability.** NO MODIFICATION OR AMENDMENT TO ANY PROVISION OF THIS AGREEMENT SHALL BE EFFECTIVE UNLESS MADE IN WRITING IN AN AGREEMENT SIGNED BY THE COMPANY AND THE LENDING PARTIES. No course of dealing or failure or delay of Agent or any Lending Party in exercising any power or right hereunder or under any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any failure to exercise or enforce such a right or power, preclude any other or further exercise thereof or any other right or power. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Company herefrom or therefrom shall in any event be effective unless made specifically in writing by Agent and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. All rights and remedies of the Lending Parties pursuant to this Agreement, under any other Loan Document, or under Law shall be cumulative, and no such right or remedy shall be exclusive of any other such right or remedy. The provisions of this Agreement and the other Loan Documents are intended to be severable. If any provision of this Agreement or other Loan Document shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any such jurisdiction.

11.2 **Expenses; Indemnity; Damage Waiver.**

(a) **Costs and Expenses**. The Company shall pay all costs and expenses incurred by the Lending Parties and their Affiliates (including the reasonable fees, costs, charges and disbursements of counsel engaged or retained by the Lending Parties) in connection with the preparation, negotiation, execution, delivery, and administration of this Agreement and the other Loan Documents or any amendments, modifications, or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), including (i) all expenses incurred by the Lending Parties (including the reasonable fees, costs, charges and disbursements of any counsel engaged or retained by a Lending Party), (a) in connection with this Agreement and the other Loan Documents, or (b) in connection with the Loans or other Obligations and (ii) notwithstanding anything to the contrary contained herein, all expenses incurred by the Lending Parties (including the fees, costs, charges and disbursements of any counsel engaged or retained by a Lending Party) in connection with any workout or restructuring in respect of any such Loans or other Obligations, any enforcement of the Loan Documents or any realization on any of the Collateral or otherwise incurred by any Lending Party after the occurrence an Event of Default.

(b) **Indemnification by the Company**. The Company shall indemnify each Lending Party and any Affiliate thereof and each of their respective officers, directors, employees, agents, and advisors (each an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, and related expenses (including the fees, costs, charges and disbursements of any counsel engaged or retained by any Indemnitee) incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Company arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance or nonperformance by the Company of its or their respective obligations hereunder or under the other Loan Documents or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) breach of representations, warranties, or covenants of the Company under any of the Loan Documents, or (iv) any actual or prospective claim, litigation, investigation, or proceeding relating to any of the foregoing, including any such items or losses relating to or arising under Environmental Laws or pertaining to environmental matters, whether based on contract, tort, or any other theory, whether brought by the Company or any third party, and regardless whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to an Indemnitee, be available to the extent that such losses, claims, damages, liabilities, or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) **Waiver of Consequential Damages, Etc**. To the fullest extent permitted by applicable Law, the Company shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the transactions contemplated hereby or thereby, any Loan relating hereto, or the use of the proceeds thereof. To the fullest extent permitted by applicable law, no Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic, or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(d) **Payments**. All amounts due under any of this Section 11.2 shall be payable not later than ten (10) days after demand therefor.

11.3 **Holidays.** Whenever a payment to be made or taken on a Loan arising hereunder shall be due on a day which is not a Business Day, such payment shall be due on the next Business Day and such extension of time shall be included in computing interest and fees, except that such payments shall be due on the Business Day preceding the expiration or maturity date thereof if such date is not a Business Day. Whenever any payment or action to be made or taken hereunder (other than payment of the Loans arising hereunder) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall not be included in computing interest or fees, if any, in connection with such payment or action.

11.4 **Notices; Effectiveness; Electronic Communication.**

(a) **Notices Generally**. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 11.4(b)), all notices and other communications to a Person provided for herein and in the other Loan Documents shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier to it at its address set forth on such Person's signature page of this Agreement.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received. Notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, such notices shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in Section 11.4(b), shall be effective as provided in such section.

(b) **Electronic Communications**. Notices and other communications between Agent and the Company may be made by email sent to an email address of such Person shown on such Person's signature page to this Agreement and shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement); provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

(c) **Change of Address, Etc**. Either party hereto may change its address, email address or telecopier number for notices and other communications hereunder by notice to the other party hereto in accordance with the terms of this Section 11.4.

11.5 **Duration; Survival.** All representations and warranties of the Company contained herein or in any other Loan Document, or made in connection herewith or therewith, shall survive the execution and delivery of this Agreement and Payment in Full. All covenants and agreements of the Company contained herein or in the Notes or in any other Loan Document relating to the payment of principal, interest, fees, premiums, additional compensation, expenses, or indemnification shall survive Payment In Full. All other covenants and agreements of the Company shall continue in full force and effect from and after the date hereof and until Payment In Full.

11.6 **Successors and Assigns; Participations.** This Agreement is entered into for the benefit of, and shall be binding upon, the parties hereto and their respective successors and assigns permitted hereby, except that the Company shall not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of Agent. Lender may at any time sell, assign, securitize, or grant participations in all, or a portion of, Lender's rights and obligations under this Agreement (including all or a portion of the Obligations). No participation shall relieve Lender of any commitment made to the Company hereunder. In connection with the foregoing, Agent and Lender may disclose information concerning the Company and its Subsidiaries, if any, to any assignee, participant, or prospective assignee or participant, provided that such assignee, participant, or prospective assignee or participant agrees, subject to qualifications contained in Section 11.7(a)(vi), to keep such information confidential. A sale of a participation interest shall be subject to Section 6.2(b) and may include certain voting rights of the participants regarding the Loan Documents (including the administration, amendment and modification, servicing, and enforcement thereof). Agent agrees to give written notification to the Company of any sale of a participation interest herein, provided that the failure to do so shall not adversely affect the rights of any Lender Party hereunder or under any other Loan Document.

11.7 **Confidentiality.**

(a) **General**. Agent and the Lending Parties agree to maintain the confidentiality of the information received from the Company or any of its Subsidiaries relating to the respective businesses of the Company or any of its Subsidiaries, other than any such information that is available to Agent or a Lending Party on a non-confidential basis prior to disclosure by the Company or any of its Subsidiaries and other than any information received from the Company or any of its Subsidiaries after the date of this Agreement which is not clearly identified at the time of delivery as confidential, except that any information received from the Company or any of its Subsidiaries may be disclosed (i) to Affiliates of Agent or the Lending Parties and to their and their Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information (to the extent so provided for herein) and instructed to keep such information confidential), (ii) to any regulatory authority having or purporting to have jurisdiction over Agent or any Lending Party, (iii) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (iv) to any other party hereto, (v) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section 11.7(a), to (A) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or any other Loan Document, or (B) any actual or prospective counterparty (or its advisors) to any Interest Rate Hedge or other swap or derivative transaction relating to the Company and its obligations, (vii) with the consent of the Company or (viii) to the extent any such information (Y) becomes publicly available other than as a result of a breach of this Section 11.7(a) or (Z) becomes available to Agent or any Lending Party or any of their Affiliates on a non-confidential basis from a source other than the Company. Any Person required to maintain the confidentiality of any Information as provided in this Section 11.7(a) shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such information as such Person would accord to its own confidential information.

(b) **Sharing Information With Affiliates**. The Company acknowledges that from time to time financial advisory, investment banking, and other services may be offered or provided to the Company or one or more of its Affiliates (in connection with this Agreement or otherwise) by Agent or any Lending Party or by one or more of their Affiliates, and the Company authorizes Agent and each Lending Party to share any information delivered to Agent or any Lending Party by the Company and its Subsidiaries pursuant to this Agreement to any such Affiliate of Agent or any Lending Party subject to the provisions of Section 11.7(a).

11.8 **Counterparts; Integration; 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 and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof including any prior confidentiality agreements and commitments. Except as provided in ARTICLE 4, this Agreement shall become effective when it shall have been executed by Agent and the Lending Parties 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, 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 Agent or the Lending Parties hereunder whatsoever).

11.9 **Governing Law.** This Agreement shall be deemed to be a contract under the Laws of the State of Colorado without regard to its conflict of laws principles.

11.10 **SUBMISSION TO JURISDICTION; SERVICE OF PROCESS; VENUE; WAIVER OF JURY TRIAL.** THE COMPANY HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN DENVER, COLORADO, AND CONSENTS THAT AGENT MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT THE COMPANY'S ADDRESS SET FORTH HEREIN FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS AGREEMENT WILL PREVENT AGENT OR ANY LENDING PARTY FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST THE COMPANY INDIVIDUALLY, AGAINST ANY COLLATERAL OR AGAINST ANY PROPERTY OF THE COMPANY WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION. THE COMPANY ACKNOWLEDGES AND AGREES THAT THE VENUE PROVIDED ABOVE IS THE MOST CONVENIENT FORUM FOR THE COMPANY, AGENT AND THE LENDING PARTIES. THE COMPANY WAIVES ANY OBJECTION TO VENUE AND ANY OBJECTION BASED ON A MORE CONVENIENT FORUM IN ANY ACTION INSTITUTED UNDER THIS AGREEMENT. THE COMPANY, AGENT AND THE LENDING PARTIES EACH HEREBY WAIVES TRIAL BY JURY IN CONNECTION WITH ANY ACTION INSTITUTED UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

11.11 **USA Patriot Act Notice.** Agent hereby notifies the Company that pursuant to the requirements of the USA Patriot Act, as followed by Agent pursuant to its board policy, it is required to obtain, verify, and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow Agent to identify the Company in accordance with the USA Patriot Act.

[SIGNATURE PAGES FOLLOW]

[SIGNATURE PAGE TO CREDIT AGREEMENT]

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, INC.

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

Notice Address for the Company:

Pacific Ethanol Pekin, Inc.
c/o Pacific Ethanol, Inc.
400 Capital Mall, Suite 2060
Sacramento, California 95814
Attention: Bryon T. McGregor
Email Address: bmcgregor@pacificethanol.com

With a copy to:

Pacific Ethanol Pekin, Inc.
1300 South Second Street
Pekin, Illinois 61555
Attention:
Email Address:

With a copy to:

Troutman Sanders, LLP
5 Park Plaza, Suite 1400
Irvine, California 92614
Attention: Larry Cerutti, Esq.
Martin Taylor, Esq.
Email Address: Larry.Cerutti@troutmansanders.com
Martin.Taylor@troutmansanders.com

[SIGNATURE PAGE TO CREDIT AGREEMENT]

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

LENDER:

1ST FARM CREDIT SERVICES, PCA

By: /s/ Terry L. Hinds
Name: Terry L. Hinds
Title: Chief Lending Officer

Notice Address for the Company:

1st Farm Credit Services, PCA
1560 Wall Street, Suite 221
Naperville, Illinois 60563
Attention: Dale Richardson
Kevin Buente
Capital Markets
Fax No.: (630) 527-9459
Email Address: drichar@1stfarmcredit.com
kbuente@1stfarmcredit.com
1stfcs-CapitalMarketsGroup@1stfarmcredit.com

[SIGNATURE PAGE TO CREDIT AGREEMENT]

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

CASH MANAGEMENT PROVIDER AND AGENT:

COBANK, ACB

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

Notice Address for CoBank:

For general correspondence purposes:
P.O. Box 5110
Denver, Colorado 80217-5110

For direct delivery purposes:
6340 S. Fiddlers Green Circle
Greenwood Village, Colorado 80111-1914

Attention: Credit Information Services
Fax No.: (303) 224-6101
Email Address: MB_credit_info_svc@CoBank.com

ANNEX A

Definitions and Rules of Construction

A . **Defined Terms**. In this Agreement, capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them by the Notes and the following words and terms shall have the respective meanings set forth below:

"**Affiliate**" means, with respect to any Person, any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 5% or more of any class of the voting or other equity interests of such Person, or (iii) 5% or more of any class of voting interests or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. Each of Farm Credit Leasing Services Corporation and CoBank, FCB are "**Affiliates**" of Agent for all purposes under this Agreement.

"**Agent**" means CoBank, in its capacity as administrative and collateral agent under the Loan Documents.

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

"**Anti-Terrorism Law**" means any Law relating to terrorism or money laundering, including Executive Order No. 13224, the USA Patriot Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by the United States Treasury Department's Office of Foreign Asset Control, as any of the foregoing Laws may from time to time be amended, renewed, extended, or replaced.

"**Authorized Officer**" means an officer or other individual duly authorized to execute Loan Documents on behalf of Agent, each Lending Party, the Company or PEI, as the case may be, as designated from time to time in the case of the Company and PEI on forms supplied or approved by Agent.

"**Brokerage Account**" means any commodity account that is owned by the Company and maintained with a commodity intermediary for trading in Commodities Contracts.

"**Business**" is defined in Section 5.12(b).

"**Business Day**" means a day that is not a Saturday, a Sunday, or a day on which Agent's principal office in Greenwood Village, Colorado, is closed pursuant to authorization or requirement of law and, if the applicable Business Day relates to a Loan to which the LIBOR Index Option applies, such day must also be a day on which dealings are carried on in the London interbank market and, if the applicable Business Day relates to a Loan to which the Quoted Rate Option applies, such day must also be a day on which the Federal Reserve Bank of New York (or any successor) is open.

"**Capital Lease**" means, with respect to any Person, any lease of (or other agreement conveying the right to use) any real or personal property of such Person that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person.

"**Capital Stock**" means, with respect to any corporation, partnership, limited liability company, cooperative or other entity, any capital stock, partnership interests, limited liability company interests, membership interests or other equity or ownership interests of or in such corporation, partnership, limited liability company, cooperative or other entity and any warrants, rights or options to purchase or acquire any such capital stock, partnership interests, limited liability company interests, membership interests or other equity or ownership interests.

"**Cash Management Provider**" means CoBank, as provider of cash management services to the Company.

"**Change in Law**" means the occurrence, after the date of this Agreement, of any of the following: (i) the adoption or taking effect of any Law, (ii) any change in any Law or in the administration, interpretation or application thereof by any Official Body, or (iii) the making or issuance of any request, guideline or directive (whether or not having the force of Law) by any Official Body; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act, and all requests, regulations, rules, guidelines, directives, opinions, rulings, orders, interpretations, and the like promulgated or provided in connection therewith and (y) all requests, regulations, rules, guidelines, directives, opinions, rulings, orders, interpretations, and the like promulgated or provided by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority), or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted, or issued.

"**Change of Control**" means each and every issuance, sale, transfer or other disposition, directly or indirectly, of Voting Stock of or in (a) PEI which, after giving effect thereto, results in any Person owning, directly or indirectly, more than 50% of the Voting Stock of or in PEI, (b) PEC which, after giving effect thereto, results in any Person (other than PEI) owning, directly, any of the Voting Stock of or in PEC, (c) the Company which, after giving effect thereto, results in any Person (other than PEC) owning, directly, any of the Voting Stock of or in the Company, or (d) the Company which, after giving effect thereto, (i) results in the Company no longer being an entity eligible to borrow from Lender or (ii) becoming ineligible to borrow from Lender at the amounts set forth in the Term Note or Revolving Term Note.

"**Closing Date**" means the Business Day on which the first Loan is made hereunder.

"**CoBank**" means CoBank, ACB, a federally-chartered instrumentality of the United States.

"**CoBank Cash Management Agreement**" means the Master Agreement for Cash Management and Transaction Services between CoBank and the Company, including all exhibits, schedules and annexes thereto and including all related forms delivered by the Company to CoBank related to or in connection therewith.

"**Code**" means the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

"**Collateral**" is defined in Section 6.3.

"**Commodity Contract**" means a commodity futures contract or an option on a commodity futures contract, a commodity option and any other commodity related contract, interest or transaction that a commodity intermediary transacts for the benefit of the Company.

"**Commodity Exchange Act**" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

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

"**Compliance Certificate**" is defined in Section 6.1(c).

"**Consolidated Group**" means the Company and its Consolidated Subsidiaries.

"**Consolidated Subsidiary**" means at any time, any Subsidiary, the accounts of which are or should, in accordance with GAAP, be consolidated with those of the Company in its consolidated financial statements at such time.

"**Debt Service Coverage Ratio**" means, with respect to any Person as of any date of determination, the following (all as calculated for the most recently completed fiscal year in accordance with GAAP consistently applied): (1) net income (after taxes), plus any amount which, in the determination of net income, has been deducted for depreciation and amortization expense and any non-recurring non-cash charges, losses or expenses approved by Agent, minus any amount which, in the determination of net income, has been added for any non-cash income or gains (including non-cash income or gains on dividends received) and any extraordinary, unusual or non-recurring income or gains (including income or gains on asset sales); divided by (2) $14,000,000.

"**Default**" means any event or condition which with notice or passage of time, or both, would constitute an Event of Default.

"**Delegation Form**" means Agent's Delegation and Wire and Electronic Transfer Form, or any substitute form therefor used by Agent from time to time.

"**Environmental Indemnity and Reimbursement Agreement**" means that certain Environmental Indemnity and Reimbursement Agreement dated of even date herewith by the Company and PEI in favor of Agent and Lender, as the same may be amended, restated, modified or supplemented from time to time.

"**Environmental Laws**" means all applicable Laws issued by or entered into with an Official Body pertaining or relating to: (i) pollution or pollution control; (ii) protection of human health from exposure to hazardous or regulated substances; (iii) protection of the environment or natural resources; (iv) employee safety in the workplace; (v) the presence, use, management, generation, manufacture, processing, extraction, treatment, recycling, refining, reclamation, labeling, packaging, sale, transport, storage, collection, distribution, disposal, or release or threat of release of hazardous or regulated substances; (vi) the presence of contamination; (vii) the protection of endangered or threatened species; or (viii) the protection of environmentally sensitive areas.

"**Environmental Liability**" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company directly or indirectly resulting from or based upon (i) violation of any Environmental Law; (ii) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials; (iii) exposure to any Hazardous Materials; (iv) the release or threatened release of any Hazardous Materials into the environment; or (v) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

"**ERISA Affiliate**" means, at any time, any trade or business (whether or not incorporated) under common control with the Company and treated as a single employer under Section 414 of the Code.

"**ERISA Event**" means (i) a reportable event (under Section 4043 of ERISA) with respect to a Plan; (ii) a withdrawal by the Company or any ERISA Affiliate from a Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (iii) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (iv) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Plan or Multiemployer Plan; (v) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan or Multiemployer Plan; or (vi) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

"**Event of Default**" is defined in Section 9.1.

"**Excluded Taxes**" means (i) taxes imposed on or measured by the overall net income of each Lending Party (however denominated), and franchise taxes imposed on each Lending Party (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which each Lending Party is organized or in which its principal office is located or in which its applicable lending office is located, and (ii) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Company is located.

"**Facilities**" is defined in ARTICLE 2.

"**Flood Laws**" means, collectively, (i) the National Flood Insurance Act of 1968, (ii) the Flood Disaster Protection Act of 1973, (iii) the National Flood Insurance Reform Act of 1994 and (iv) the Flood Insurance Reform Act of 2004, in each case, as now or hereinafter in effect, and any successor statute thereto, and all such other applicable Laws related thereto.

"**GAAP**" means generally accepted accounting principles in the United States of America in effect from time to time and consistently applied from period to period.

"**Hazardous Materials**" means (i) any explosive or radioactive substances, materials or wastes, and (ii) any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under, or that could reasonably be expected to give rise to liability under, any applicable Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls, urea-formaldehyde insulation, gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products.

"**Indebtedness**" means any and all indebtedness, obligations, or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) any letter of credit or any bankers or trade acceptance arrangement, (iv) obligations under any Interest Rate Hedge, or under any currency, commodity, or other swap agreement or other hedging or risk management device, (v) any other transaction (including forward sale or purchase agreements, Capital Leases, or conditional sales agreements) having the commercial effect of a borrowing of money (but not including trade payables or accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness and which are not more than sixty (60) days past due or Operating Leases), or (vi) any guaranty of Indebtedness for borrowed money.

"**Indemnified Taxes**" means (i) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Company under any Loan Document and (ii) to the extent not otherwise described in (i), Other Taxes.

"**Indemnitee**" is defined in Section 11.2(b).

"**Interest Rate Hedge**" means any interest rate exchange, collar, cap, swap, adjustable strike cap, adjustable strike corridor or similar agreement.

"**Interest Rate Option**" means the Company's option to have Loans under a Facility bear interest at the LIBOR Index Option or Quoted Rate Option, in each case, pursuant to and as permitted by the terms of the applicable Note.

"**IRS**" means the Internal Revenue Service.

"**Law**" means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, consent, authorization, approval, lien or award of or by, or any settlement agreement with, any Official Body.

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

"**Lender Equities**" is defined in Section 6.2(a).

"**Lending Parties**" means, collectively, Lender and Cash Management Provider.

"**Lending Party**" means, individually, Lender or Cash Management Provider.

"**LIBOR Index Option**" means the option of the Company to have Loans bear interest at the LIBOR Index Rate.

"**LIBOR Index Rate**" means a rate (rounded upward to the nearest 1/100th and adjusted for reserves required on "Eurocurrency Liabilities" (as hereinafter defined) for banks subject to "FRB Regulation D" (as hereinafter defined) or required by any other federal law or regulation) per annum equal at all times to the LIBOR Index Spread plus the higher of: (a) zero percent (0.000%); or (b) the rate reported at 11:00 a.m. London time for the offering of one (1)-month U.S. dollars deposits, by Bloomberg Information Services (or on any successor or substitute service providing rate quotations comparable to those currently provided by such service, as determined by Agent from time to time, for the purpose of providing quotations of interest rates applicable to dollar deposits in the London interbank market) on the first "U.S. Banking Day" (as hereinafter defined) in each week, with such rate to change weekly on such day. The rate shall be reset automatically, without the necessity of notice being provided to the Company or any other party, on the first "U.S. Banking Day" of each succeeding week, and each change in the rate shall be applicable to all balances subject to this option. Information about the then-current rate shall be made available upon telephonic request. For purposes hereof: (1) "U.S. Banking Day" shall mean a day on which Agent is open for business and banks are open for business in New York, New York; (2) "Eurocurrency Liabilities" shall have the meaning as set forth in "FRB Regulation D"; and (3) "FRB Regulation D" shall mean Regulation D as promulgated by the Board of Governors of the Federal Reserve System, 12 CFR Part 204, as amended.

"**LIBOR Index Spread**" shall have the meaning set forth in the applicable Note.

"**Lien**" means any mortgage, deed of trust, pledge, lien, security interest (including a purchase money security interest), charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

"**Loan**" means, unless the context indicates otherwise, each Loan as such term is defined in each Note.

"**Loan Documents**" means this Agreement, each Note, the Environmental Indemnity and Reimbursement Agreement, each Interest Rate Hedge, 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.

"**Loan Request**" has the meaning set forth in each Note.

"**Material Adverse Change**" means any set of circumstances or events which (i) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any other Loan Document, (ii) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations, or prospects of the Company taken as a whole, (iii) impairs materially or could reasonably be expected to impair materially the ability of the Company taken as a whole to duly and punctually pay or perform any of the Obligations or PEI to duly and punctually pay or perform any of its obligations under the Environmental Indemnity and Reimbursement Agreement or (iv) impairs materially or could reasonably be expected to impair materially the ability of Agent or any Lending Party, to the extent permitted, to enforce its legal remedies pursuant to this Agreement or any other Loan Document.

"**Multiemployer Plan**" means any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which the Company or any ERISA Affiliate is then making or accruing an obligation to make contributions or, within the preceding five Plan years, has made or had an obligation to make such contributions.

"**Note**" means each promissory note issued in connection with this Agreement at any time.

"**Obligations**" means all obligations, indebtedness, and liabilities to Lender, Cash Management Provider or any Subsidiary or Affiliate of Lender 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 agreements governing other financial services or products (including cash management services) provided by Lender, Agent or one of their Subsidiaries or Affiliates to the Company.

"**Official Body**" means the government of the United States of America or any other nation or tribe, or of any political subdivision thereof, whether state, local, tribal or territorial, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory, or administrative powers or functions of or pertaining to government and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

"**Operating Lease**" means, with respect to any Person, any leasing or similar arrangement of such Person for the lease or use of any equipment or other personal property assets for a period in excess of one year, which, in conformity with GAAP, would not be characterized as a Capital Lease.

"**Organizational Documents**" means (i) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction), (ii) with respect to any limited liability company, the certificate of formation or articles of organization and the operating agreement or limited liability company agreement and (iii) with respect to any partnership, cooperative, joint venture, trust or other form of business entity, the partnership, cooperative, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Official Body in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"**Other Taxes**" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, this Agreement, any Note, or any other Loan Document.

"**Payment in Full**" means the completion of the transactions hereunder and the indefeasible payment in full in cash of all Obligations hereunder and the termination of all commitments hereunder.

"**PBGC**" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A or Title IV of ERISA or any successor.

"**PEC**" means Pacific Ethanol Central, LLC, a limited liability company organized and existing under the laws of Delaware.

"**PEI**" means Pacific Ethanol, Inc., a corporation organized and existing under the laws of Delaware.

"**Permitted Indebtedness**" is defined in Section 7.1.

"**Permitted Liens**" is defined in Section 7.2.

"**Person**" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental agency.

"**Personal Property Collateral**" is defined in Section 6.3.

"**Plan**" means at any time an employee pension benefit plan (including a Multiple Employer Plan, but not a Multiemployer Plan) subject to Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA and in respect of which the Company or any ERISA Affiliate is (or if such plan were terminated, would under 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(S) of ERISA.

"**Properties**" is defined in Section 5.12(a).

"**Protective Advance**" is defined in Section 2.2(d).

"**Quoted Rate**" means a fixed rate per annum quoted to the Company by Agent to be applicable for a period determined by Agent, in its sole discretion in each instance.

"**Quoted Rate Option**" means the option of the Company to have Loans bear interest at the Quoted Rate.

"**Real Property Collateral**" is defined in Section 6.3.

"**Related Parties**" is defined in Section 10.1.

"**Related Party**" is defined in Section 10.1.

"**Relief Proceeding**" is defined in Section 9.1(l).

"**Repurchase Agreement**" means an agreement between the Company or any Subsidiary and a counterparty pursuant to which the Company or any Subsidiary agrees to repurchase from such counterparty on a future date any commodity sold by the Company or any Subsidiary to such counterparty.

"**Revolving Term Commitment**" shall have the meaning set forth in the Revolving Term Note.

"**Revolving Term Facility**" is defined in Section 2.1.

"**Revolving Term Facility Expiration Date**" shall have the meaning set forth in the Revolving Term Note.

"**Revolving Term Facility Usage**" means, as of the date of determination, the aggregate principal amount of all outstanding Revolving Term Loans.

"**Revolving Term Loan**" is defined in Section 2.2(a).

"**Revolving Term Note**" is defined in Section 2.2(b).

"**Statements**" is defined in Section 5.5.

"**Subsidiary**" means a corporation, trust, partnership, limited liability company, or other business entity (a) of which shares of stock or similar interests having ordinary voting power to elect a majority of the board of directors, trustees, or other managers of such entity (regardless of any contingency which does or may suspend or dilute the voting rights) are owned or controlled, directly or indirectly, by the Company or one of its Subsidiaries, or (b) which is directly or indirectly controlled or capable of being controlled by the Company or one or more of the Company's Subsidiaries.

"**Swap Obligation**" shall mean, with respect to any Company, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act.

"**Taxes**" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Official Body, including any interest, additions to tax or penalties applicable thereto.

"**Term Loan**" is defined in Section 2.1.

"**Term Loan Availability Expiration Date**" shall have the meaning set forth in the Term Note.

"**Term Note**" is defined in Section 2.1(a).

"**Title Policy**" is defined in Section 4.1(a)(viii).

"**Voting Stock**" means, with respect to any corporation, partnership, limited liability company, cooperative or other entity, any Capital Stock of or in such corporation, limited liability company, partnership, cooperative or other entity whose holders are entitled under ordinary circumstances to vote for the election of directors (or Persons performing similar functions) of such corporation, limited liability company, partnership, cooperative or other entity (irrespective of whether at the time Capital Stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"**Working Capital**" means, with respect to any Person as of any date of determination, the excess of current assets over current liabilities (as determined in accordance with GAAP consistently applied). For purposes of determining the current assets, any amount available under the Revolving Term Facility (less the amount that would be considered a current liability under GAAP if fully advanced) may be included.

B. **Rules of Construction**. Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents: (i) references to the plural include the singular (and vice versa), the plural, the part and the whole, and the words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation"; (ii) the words "hereof," "herein," "hereunder," "hereto," and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole; (iii) article, section, subsection, clause, schedule, and exhibit references are to this Agreement or other Loan Document, as the case may be, unless otherwise specified; (iv) reference to any Person includes such Person's successors and assigns; (v) reference to any document, instrument, or agreement, including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto, means such document, instrument, or agreement as amended, restated, replaced, refinanced, supplemented, substituted, increased, extended, superseded, or otherwise modified from time to time; (vi) relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including;" (vii) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights; (viii) section headings herein and in each other Loan Document are included for convenience only and shall not affect the interpretation of this Agreement or such Loan Document; (ix) references to any Loan Document or any other document, instrument, or agreement is deemed to include a reference to all annexes, schedules, and exhibits thereto, and (x) unless otherwise specified, all references herein to times of day shall be references to prevailing Mountain Time.

C . **Accounting Principles**. Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP; provided, however, that all accounting terms used in Article 8 (and all defined terms used in the definition of any accounting term used in such Article) shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof applied on a basis consistent with those used in preparing the Statements referred to in Article 5. In the event of any change after the date hereof in GAAP, and if such change would affect the computation of any of the financial covenants set forth in Article 8, then the parties hereto agree to endeavor, in good faith, to agree upon an amendment to this Agreement that would adjust such financial covenants in a manner that would preserve the original intent thereof, but would allow compliance therewith to be determined in accordance with the Company's financial statements at that time, provided that, until so amended, such financial covenants shall continue to be computed in accordance with GAAP prior to such change therein.

ANNEX B

Real Property Collateral

TRACT I

LOT 5 AND PART OF LOTS 3, 4, 7, 10 AND 11 IN THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 4, AS SHOWN IN PLAT BOOK "C", PAGE 57 OF THE TAZEWELL COUNTY RECORDER'S OFFICE, AND LOTS 1, 2, 3 AND 5 IN THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF FRACTIONAL SECTION 3, AS SHOWN IN PLAT BOOK "A", PAGE 40, OF THE TAZEWELL COUNTY RECORDER'S OFFICE, AND LOTS 35 AND 38, AND PART OF LOTS 24, 27 AND 34 OF THE WEST HALF OF FRACTIONAL SECTION 3, AS SHOWN IN PLAT BOOK "B", PAGE 58, IN THE TAZEWELL COUNTY RECORDER'S OFFICE, ALL IN TOWNSHIP 24 NORTH, RANGE 5 WEST OF THE THIRD PRINCIPAL MERIDIAN, IN TAZEWELL COUNTY, ILLINOIS, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER OF SAID FRACTIONAL SECTION 3; THENCE NORTH 00°-22'-40" WEST ALONG THE WEST LINE OF SAID SOUTHWEST QUARTER, A DISTANCE OF 499.39 FEET TO THE INTERSECTION WITH THE NORTHEASTERLY RIGHT-OF-WAY LINE OF DISTILLERY ROAD, BEING THE PLACE OF BEGINNING; THENCE SOUTH 45°-49'-35" EAST ALONG SAID NORTHEASTERLY RIGHT-OF-WAY LINE, A DISTANCE OF 491.47 FEET TO A POINT 35.5 FEET PERPENDICULAR DISTANCE FROM THE CENTERLINE OF THE MAIN TRACK OF CHICAGO AND ILLINOIS MIDLAND RAILWAY COMPANY; THENCE NORTH 38°-36'-18" EAST PARALLEL WITH SAID CENTERLINE OF MAIN TRACK, A DISTANCE OF 1474.59 FEET TO THE NORTH LINE OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID FRACTIONAL SECTION 3; THENCE SOUTH 89°-31'-30" EAST ALONG AFOREMENTIONED LINE, A DISTANCE OF 13.39 FEET TO A POINT 25.0 FEET PERPENDICULAR DISTANCE FROM SAID CENTERLINE OF MAIN TRACK; THENCE NORTH 38°-36'-18" EAST PARALLEL WITH SAID CENTERLINE OF MAIN TRACK, A DISTANCE OF 397.27 FEET; THENCE NORTH 31°-55'-12" EAST, A DISTANCE OF 179.64 FEET; THENCE NORTH 19°-17'-36" EAST, A DISTANCE OF 387.34 FEET; THENCE NORTH 25°-24'-03" EAST, A DISTANCE OF 56.24 FEET; THENCE NORTH 19°-26'-57" EAST, A DISTANCE OF 999.63 FEET; THENCE NORTH 06°-30'-57" EAST, A DISTANCE OF 270.34 FEET TO A POINT ON THE NORTHERNMOST LINE OF SAID LOT 27; THENCE NORTH 89°-56'-24" WEST ALONG SAID NORTHERNMOST LINE A DISTANCE OF 218.01 FEET TO THE EAST LINE OF SAID LOT 24; THENCE SOUTH 00°-03'-36" WEST ALONG THE EAST LINE OF SAID LOT 24, A DISTANCE OF 60.00 FEET TO THE SOUTHEAST CORNER OF SAID LOT 24; THENCE NORTH 89°-56'-24" WEST ALONG THE SOUTH LINE OF SAID LOT 24, A DISTANCE OF 218.78 FEET TO THE NORTHEAST CORNER OF LOT 1 OF SAID LOT 27 AS SHOWN IN PLAT BOOK "G", PAGE 84, OF THE TAZEWELL COUNTY RECORDER'S OFFICE; THENCE SOUTH 41°-12'-26" WEST ALONG THE SOUTHEASTERLY LINE OF SAID LOT A OF LOT 27, A DISTANCE OF 181.82 FEET; THENCE NORTH 48°-00'-45" WEST A DISTANCE OF 479.50 FEET TO A POINT ON THE SOUTHEASTERLY RIGHT-OF-WAY LINE OF SOUTH FRONT STREET; THENCE SOUTH 41°-12'-26" WEST ALONG SAID SOUTHEASTERLY RIGHT-OF-WAY LINE, A DISTANCE OF 1204.58 FEET; THENCE SOUTH 39°-18"-41" WEST ALONG SAID SOUTHEASTERLY RIGHT-OF-WAY LINE, A DISTANCE OF 345.02 FEET; THENCE SOUTH 29°-45'-52" WEST ALONG SAID SOUTHEASTERLY RIGHT-OF-WAY LINE, A DISTANCE OF 1609.32 FEET TO THE INTERSECTION WITH THE NORTHEASTERLY RIGHT-OF-WAY LINE OF DISTILLERY ROAD; THENCE SOUTH 57°-54'-35" EAST ALONG SAID NORTHEASTERLY RIGHT-OF-WAY LINE, A DISTANCE OF 250.93 FEET; THENCE CONTINUING SOUTHEASTERLY ALONG SAID NORTHEASTERLY RIGHT-OF-WAY LINE, ON A CURVE TO THE RIGHT HAVING A RADIUS OF 1449.19 FEET FOR AN ARC DISTANCE OF 305.63 FEET, AND A CHORD OF SOUTH 51°-52'-05" EAST, A DISTANCE OF 305.06 FEET; THENCE SOUTH 45°-49'-35" EAST ALONG SAID NORTHEASTERLY RIGHT-OF-WAY LINE, A DISTANCE OF 183.44 FEET TO THE PLACE OF BEGINNING.

TRACT II

A PART OF LOT 10 OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 4, AS SHOWN IN PLAT BOOK "B", PAGE 57, OF THE TAZEWELL COUNTY RECORDER'S OFFICE, TOWNSHIP 24 NORTH, RANGE 5 WEST OF THE THIRD PRINCIPAL MERIDIAN, IN TAZEWELL COUNTY, ILLINOIS, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF THE SOUTHEAST QUARTER OF SAID FRACTIONAL SECTION 4; THENCE SOUTH 89°-29'-14" WEST ALONG THE SOUTH LINE OF SAID SOUTHEAST QUARTER, A DISTANCE OF 458.50 FEET TO THE SOUTHEAST CORNER OF SAID LOT 10, SAID CORNER OF LOT 10 BEING ALSO THE PLACE OF BEGINNING; THENCE NORTH 37°-12'-47" EAST ALONG THE SOUTHEASTERLY LINE OF SAID LOT 10, A DISTANCE OF 650.22 FEET TO THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF 33 FEET WIDE DISTILLERY ROAD; THENCE NORTH 45°-49'-35" WEST ALONG SAID SOUTHWESTERLY RIGHT-OF-WAY LINE A DISTANCE OF 129.14 FEET; THENCE CONTINUING ALONG SAID RIGHT-OF-WAY LINE ON A CURVE TO THE LEFT HAVING A RADIUS OF 1416.19 FEET FOR AN ARC DISTANCE OF 298.67 FEET, AND A CHORD OF NORTH 51°-52'-05" WEST, A DISTANCE OF 298.11 FEET; THENCE NORTH 57°-54'-35" WEST ALONG SAID RIGHT-OF-WAY, A DISTANCE OF 21.54 FEET; THENCE SOUTH 37°-03'-04" WEST, A DISTANCE OF 1012.87 FEET TO THE SOUTH LINE OF SAID SOUTHEAST QUARTER; THENCE NORTH 89°-29'-14" EAST ALONG THE SOUTH LINE OF SAID SOUTHEAST QUARTER, A DISTANCE OF 562.42 FEET TO THE PLACE OF BEGINNING.

TRACT III

LOTS 1 AND 2, AND PART OF LOTS 3 AND 6 OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 4 AS SHOWN IN PLAT BOOK "B", PAGE 57, OF THE TAZEWELL COUNTY RECORDER'S OFFICE, AND LOTS 26, 36 AND 37, AND PART OF LOT 25 OF THE WEST HALF OF FRACTIONAL SECTION AS SHOWN IN PLAT BOOK "B", PAGE 58, OF THE TAZEWELL COUNTY RECORDER'S OFFICE ALL IN TOWNSHIP 24 NORTH, RANGE 5 WEST OF THE THIRD PRINCIPAL MERIDIAN, IN TAZEWELL COUNTY, ILLINOIS, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 4; THENCE NORTH 00°-22'-40" WEST ALONG THE EAST LINE OF SAID SOUTHEAST QUARTER, A DISTANCE OF 2079.16 FEET TO THE INTERSECTION WITH THE NORTHWESTERLY RIGHT-OF-WAY LINE OF SOUTH FRONT STREET, BEING THE PLACE OF BEGINNING; THENCE NORTH 29°-45'-52" EAST ALONG SAID NORTHWESTERLY RIGHT-OF-WAY LINE, A DISTANCE OF 290.38 FEET; THENCE NORTH 41°-12'-26" EAST ALONG SAID RIGHT-OF-WAY LINE, A DISTANCE OF 1613.87 FEET; THENCE NORTH 48°-48'-45" WEST, A DISTANCE OF 160.70 FEET TO THE NORTHWESTERLY LINE OF SAID LOT 25; THENCE SOUTH 50°-35'-38" WEST ALONG SAID LINE OF LOT 25, A DISTANCE OF 397.75 FEET; THENCE SOUTH 40°-27'-47" WEST ALONG THE NORTHWESTERLY LINES OF SAID LOTS 25 AND 26, A DISTANCE OF 726.00 FEET; THENCE SOUTH 44°-45'-52" WEST ALONG THE NORTHWESTERLY LINES OF SAID LOTS 26 AND 36, A DISTANCE OF 441.54 FEET TO THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID FRACTIONAL SECTION 4, SAID POINT BEING ALSO THE NORTHERLY CORNER OF LOT 1 OF SAID SOUTHEAST QUARTER; THENCE SOUTH 39°-14'-11" WEST ALONG THE NORTHWESTERLY LINES OF SAID LOTS 1 AND 2, A DISTANCE OF 719.06 FEET TO THE SOUTHWEST CORNER OF SAID LOT 2; THENCE SOUTH 42°-14'-11" WEST ALONG THE NORTHWESTERLY LINE OF SAID LOT 3, A DISTANCE OF 330.00 FEET TO THE WESTERNMOST CORNER OF SAID LOT 3, BEING ALSO THE NORTHERNMOST CORNER OF SAID LOT 6 AND FURTHER KNOWN AS WILKEY CORNER; THENCE SOUTH 46°-59'-11" WEST ALONG THE NORTHWESTERLY LINE OF SAID LOT 6, A DISTANCE OF 200.00 FEET; THENCE SOUTH 87°-04'-48" EAST, A DISTANCE OF 214.55 FEET TO THE NORTHEASTERLY LINE OF SAID LOT 6; THENCE SOUTH 24°-46'-48" EAST ALONG SAID LINE OF LOT 6, A DISTANCE OF 35.60 FEET TO THE CENTERLINE OF A RAILROAD EASEMENT AS RECORDED IN BOOK 229, PAGE 72, OF THE TAZEWELL COUNTY RECORDER'S OFFICE; THENCE SOUTH 46°-54'-36" EAST, A DISTANCE OF 263.31 FEET TO THE NORTHWESTERLY RIGHT-OF-WAY LINE OF SOUTH FRONT STREET; THENCE NORTH 29°-45'-52" EAST ALONG SAID RIGHT-OF-WAY LINE, A DISTANCE OF 814.59 FEET TO THE PLACE OF BEGINNING.

AREA "A"

A PART OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 4, TOWNSHIP 24 NORTH, RANGE 5 WEST OF THE THIRD PRINCIPAL MERIDIAN, IN TAZEWELL COUNTY, ILLINOIS, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHERNMOST CORNER OF LOT 6 AS SHOWN IN PLAT BOOK "B", PAGE 57, OF THE TAZEWELL COUNTY RECORDER'S OFFICE; THENCE SOUTH 46°-59'-11" WEST ALONG THE NORTHWESTERLY LINE OF SAID LOT 6, A DISTANCE OF 200.00 FEET; THENCE NORTH 43°-00'-49" WEST PERPENDICULAR TO THE SAID NORTHWESTERLY LINE TO THE THREAD OF THE ILLINOIS RIVER; THENCE NORTHEASTERLY ALONG THE THREAD OF THE ILLINOIS RIVER, TO THE INTERSECTION WITH THE EXTENSION (TO THE NORTHWEST) OF THE NORTHEASTERLY LINE OF SAID LOT 6; THENCE SOUTHEASTERLY ALONG PREVIOUSLY MENTIONED LINE OF EXTENSION TO THE PLACE OF BEGINNING.

EXCEPTING FROM TRACT 1 AFORESAID THE FOLLOWING DESCRIBED PARCEL:

A PART OF LOTS 10 AND 11 OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 4 AND OF LOTS 2, 3 AND 5 OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF FRACTIONAL SECTION 3 ALL IN TOWNSHIP 24 NORTH, RANGE 5 WEST OF THE THIRD PRINCIPAL MERIDIAN, IN TAZEWELL COUNTY, ILLINOIS, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER OF SAID SECTION 3, THENCE NORTH 00°-22'-40" WEST ALONG THE WEST LINE OF SAID SOUTHWEST QUARTER, A DISTANCE OF 499.39 FEET TO THE NORTHERLY LINE OF DISTILLERY ROAD; THENCE SOUTH 45°-49'-35" EAST ALONG THE NORTH LINE OF DISTILLERY ROAD, A DISTANCE OF 21.54' TO THE PLACE OF BEGINNING, THENCE CONTINUING ALONG SAID NORTH LINE, A DISTANCE OF 288.79 FEET; THENCE NORTH 36°-37'-57" EAST, A DISTANCE OF 126.02 FEET; THENCE NORTH 53°-22'-03" WEST, A DISTANCE OF 28.55 FEET; THENCE NORTH 36°-37'-57" EAST, A DISTANCE OF 40.00 FEET; THENCE NORTH 53°-22'-03" WEST, A DISTANCE OF 82.54 FEET TO THE MONUMENTED (EAST-2000) GRID LINE FOR CONSTRUCTION OF 1980; THENCE SOUTH 36°-37'-57" WEST ALONG SAID GRID LINE, A DISTANCE OF 28.59 FEET; THENCE NORTH 53°-13'-55" WEST FOLLOWING THE LINE OF THE SOUTHERLY SIDE OF BUILDING #29, A DISTANCE OF 86.58 FEET TO THE SOUTHWESTERLY CORNER OF BUILDING #29; THENCE NORTH 36°-41'-43" EAST ALONG THE WESTERLY SIDE OF BUILDING #29, A DISTANCE OF 146.15 FEET TO THE NORTHWESTERLY CORNER OF BUILDING #29; THENCE SOUTH 53°-21'-21" EAST FOLLOWING THE LINE OF THE NORTHERLY SIDE OF BUILDING #29, A DISTANCE OF 86.42 FEET TO SAID GRID LINE; THENCE NORTH 36°-37'-57" EAST ALONG SAID GRID LINE, A DISTANCE OF 369.80 FEET; THENCE NORTH 53°-10'-21" WEST, A DISTANCE OF 74.00 FEET; THENCE SOUTH 36°-43'-22" WEST, A DISTANCE OF 59.26 FEET TO THE INTERSECTION WITH THE EXTENSION OF THE SOUTHWESTERLY SIDE OF BUILDING #3; THENCE NORTH 53°-00'-54" WEST FOLLOWING THE LINE OF THE SOUTHWESTERLY SIDE OF BUILDING #3, A DISTANCE OF 123.23 FEET TO THE SOUTHWESTERLY CORNER OF BUILDING #3; THENCE NORTH 47°-45'-13" WEST, A DISTANCE OF 103.19 FEET; THENCE NORTH 53°-22'-07" WEST, A DISTANCE OF 430.00 FEET; THENCE SOUTH 36°-37'-57" WEST, A DISTANCE OF 536.32 FEET TO THE NORTHERLY LINE OF DISTILLERY ROAD; THENCE SOUTH 57°-54'-35" EAST ALONG SAID NORTHERLY LINE, A DISTANCE OF 46.80 FEET; THENCE CONTINUING SOUTHEASTERLY ALONG SAID NORTHERLY LINE, ON A CURVE TO THE RIGHT, HAVING A RADIUS OF 1449.19 FEET, FOR AN ARC DISTANCE OF 305.63 FEET (WHICH HAS A CHORD OF SOUTH 51°-52'-05" EAST, A DISTANCE OF 305.06 FEET); THENCE SOUTH 45°-49'-35" EAST ALONG SAID NORTH LINE, A DISTANCE OF 36.32 FEET; THENCE NORTH 36°-32'-53" EAST ALONG THE CENTERLINE OF A RAILROAD TRACK, A DISTANCE OF 379.60 FEET; THENCE SOUTH 53°-23'-24" EAST, A DISTANCE OF 82.72 FEET; THENCE SOUTH 36°-22'-20" WEST, A DISTANCE OF 40.98 FEET; THENCE SOUTH 00°-09'-51" WEST, A DISTANCE OF 120.77 FEET; THENCE SOUTH 22°-17'-31" WEST, A DISTANCE OF 46.75 FEET; THENCE SOUTH 36°-14'-27" WEST, A DISTANCE OF 218.38 FEET TO THE NORTH LINE OF DISTILLERY ROAD, BEING ALSO THE PLACE OF BEGINNING.

AND EXCEPTING FROM TRACT III AFORESAID THE FOLLOWING TWO TRACTS:

A PART OF PARCEL 3 IN THE SOUTHWEST QUARTER OF SECTION 4, TOWNSHIP 24 NORTH, RANGE 5 WEST OF THE THIRD PRINCIPAL MERIDIAN, IN TAZEWELL COUNTY, ILLINOIS, AS SHOWN BY PLAT OF SURVEY RECORDED ON PAGE 99 OF PLAT BOOK "A" IN THE RECORDERS OFFICE OF SAID COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT THE WESTERNMOST CORNER OF SAID PARCEL 3, SAID WESTERN MOST CORNER BEING AN IRON PIN IN THE CENTERLINE OF THE C.C.C. AND ST. L. R.R.'S TRACK INTO AMERICAN DISTILLING COMPANY; THENCE NORTH 43°-09' EAST ALONG THE NORTHWESTERLY LINE OF SAID PARCEL 3 AND THE CENTERLINE OF SAID TRACK FOR A DISTANCE OF 371.8 FEET TO THE PLACE OF BEGINNING: FROM SAID PLACE OF BEGINNING CONTINUING NORTH 43°-09' EAST ALONG SAID NORTHWESTERLY LINE A DISTANCE OF 317 FEET; THENCE SOUTH 46°-51' EAST FOR A DISTANCE OF 100.25 FEET, MORE OR LESS, TO THE WESTERLY LINE OF SOUTH FRONT STREET; THENCE SOUTH 29°-43' WEST ALONG SAID WESTERLY LINE OF SOUTH FRONT STREET, A DISTANCE OF 325.92 FEET; THENCE NORTH 46°-51' WEST, A DISTANCE OF 175.96 FEET, MORE OR LESS, TO THE PLACE OF BEGINNING; AND A PART OF PARCEL 4 IN THE SOUTHEAST QUARTER OF SECTION 4, TOWNSHIP 24 NORTH, RANGE 5 WEST OF THE THIRD PRINCIPAL MERIDIAN, IN TAZEWELL COUNTY, ILLINOIS, AS SHOWN BY PLAT OF SURVEY RECORDED ON PAGE 99 OF PLAT BOOK "A" IN THE RECORDERS OFFICE OF SAID COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHERNMOST CORNER OF SAID PARCEL 4, SAID SOUTHERNMOST CORNER BEING THE WESTERN MOST CORNER OF PARCEL 3 SHOWN ON THE SAME PLAT OF SURVEY AND AN IRON PIN IN THE CENTERLINE OF THE C.C.C. AND ST. L. R.R. TRACK INTO AMERICAN DISTILLING COMPANY; THENCE NORTH 43°-09' EAST ALONG THE SOUTHEASTERLY LINE OF SAID PARCEL 4 AND THE CENTERLINE OF SAID TRACK FOR A DISTANCE OF 141 FEET TO THE PLACE OF BEGINNING: FROM THE PLACE OF BEGINNING CONTINUING NORTH 43°-09' EAST ALONG SAID SOUTHEASTERLY LINE, A DISTANCE OF 159 FEET; THENCE NORTH 46°-51' WEST, A DISTANCE OF 186.96 FEET, MORE OR LESS, TO THE MEANDER LINE ALONG THE ILLINOIS RIVER; THENCE SOUTH 42°-14'-48" WEST ALONG SAID MEANDER LINE, A DISTANCE OF 159.02 FEET; THENCE SOUTH 46°-51' EAST, A DISTANCE OF 184.45 FEET, MORE OR LESS, TO THE PLACE OF BEGINNING.

TRACT IV

A PART OF LOTS 10 AND 11 OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 4 AND OF LOTS 2, 3, AND 5 OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF FRACTIONAL SECTION 3 ALL IN TOWNSHIP 24 NORTH, RANGE 5 WEST OF THE THIRD PRINCIPAL MERIDIAN, IN TAZEWELL COUNTY, ILLINOIS, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER OF SAID SECTION 3; THENCE NORTH 00 DEGREES 22 MINUTES 40 SECONDS WEST ALONG THE WEST LINE OF SAID SOUTHWEST QUARTER, A DISTANCE OF 499.39 FEET TO THE NORTHERLY LINE OF DISTILLERY ROAD; THENCE SOUTH 45 DEGREES 49 MINUTES 35 SECONDS EAST ALONG THE NORTH LINE OF DISTILLERY ROAD; A DISTANCE OF 21.54 FEET TO THE PLACE OF BEGINNING; THENCE CONTINUING ALONG SAID NORTH LINE, A DISTANCE OF 288.79 FEET; THENCE NORTH 36 DEGREES 37 MINUTES 57 SECONDS EAST A DISTANCE OF 126.02 FEET; THENCE NORTH 53 DEGREES 22 MINUTES 03 SECONDS WEST, A DISTANCE OF 28.55 FEET; THENCE NORTH 36 DEGREES 37 MINUTES 57 SECONDS EAST, A DISTANCE OF 40.00 FEET; THENCE NORTH 53 DEGREES 22 MINUTES 03 SECONDS WEST, A DISTANCE OF 82.54 FEET TO THE MONUMENTED (EAST-2000) GRID LINE FOR CONSTRUCTION OF 1980; THENCE SOUTH 36 DEGREES 37 MINUTES 57 SECONDS WEST ALONG SAID GRID LINE, A DISTANCE OF 28.59 FEET; THENCE NORTH 53 DEGREES 13 MINUTES 55 SECONDS WEST FOLLOWING THE LINE OF THE SOUTHERLY SIDE OF BUILDING #29, A DISTANCE OF 86.58 FEET TO THE SOUTHWESTERLY CORNER OF BUILDING #29, THENCE NORTH 36 DEGREES 41 MINUTES 43 SECONDS EAST ALONG THE WESTERLY SIDE OF BUILDING #29, A DISTANCE OF 146.15 FEET TO THE NORTHWESTERLY CORNER OF BUILDING #29, THENCE SOUTH 53 DEGREES 21 MINUTES 21 SECONDS EAST FOLLOWING THE LINE OF THE NORTHERLY SIDE OF BUILDING #29, A DISTANCE OF 86.42 FEET TO SAID GRID LINE, THENCE NORTH 36 DEGREES 37 MINUTES 57 SECONDS EAST ALONG SAID GRID LINE, A DISTANCE OF 369.80 FEET; THENCE NORTH 53 DEGREES 10 MINUTES 21 SECONDS WEST, A DISTANCE OF 74.00 FEET; THENCE SOUTH 36 DEGREES 43 MINUTES 22 SECONDS WEST, A DISTANCE OF 59.26 FEET TO THE INTERSECTION WITH THE EXTENSION OF THE SOUTHWESTERLY SIDE OF BUILDING #3; THENCE NORTH 53 DEGREES 00 MINUTES 54 SECONDS WEST FOLLOWING THE LINE OF THE SOUTHWESTERLY SIDE OF BUILDING #3, A DISTANCE OF 123.23 FEET TO THE SOUTHWESTERLY CORNER OF BUILDING #3; THENCE NORTH 47 DEGREES 45 MINUTES 13 SECONDS WEST, A DISTANCE OF 103.19 FEET; THENCE NORTH 53 DEGREES 22 MINUTES 07 SECONDS WEST, A DISTANCE OF 430.00 FEET; THENCE SOUTH 36 DEGREES 37 MINUTES 57 SECONDS WEST, A DISTANCE OF 536.32 FEET TO THE NORTHERLY LINE OF DISTILLERY ROAD; THENCE SOUTH 57 DEGREES 54 MINUTES 35 SECONDS EAST ALONG SAID NORTH LINE, A DISTANCE OF 46.80 FEET; THENCE CONTINUING SOUTHEASTERLY ALONG SAID NORTH LINE ON A CURVE TO THE RIGHT HAVING A RADIUS 1449.19 FEET AN ARC DISTANCE OF 305.63 FEET (WHICH HAS A CHORD OF SOUTH 51 DEGREES 52 MINUTES 05 SECONDS EAST, A DISTANCE OF 305.06 FEET); THENCE SOUTH 45 DEGREES 49 MINUTES 35 SECONDS EAST ALONG SAID NORTH LINE, A DISTANCE OF 36.32 FEET; THENCE NORTH 36 DEGREES 32 MINUTES 53 SECONDS EAST ALONG THE CENTER LINE OF A RAILROAD TRACK, A DISTANCE OF 379.60 FEET; THENCE SOUTH 53 DEGREES 23 MINUTES 24 SECONDS EAST, A DISTANCE OF 82.72 FEET, THENCE SOUTH 36 DEGREES 22 MINUTES 20 SECONDS WEST, A DISTANCE OF 40.98 FEET; THENCE SOUTH 00 DEGREES 09 MINUTES 51 SECONDS WEST, A DISTANCE OF 120.77 FEET; THENCE SOUTH 22 DEGREES 17 MINUTES 31 SECONDS WEST, A DISTANCE OF 46.75 FEET; THENCE SOUTH 36 DEGREES 14 MINUTES 27 SECONDS WEST, A DISTANCE OF 218.38 FEET TO THE NORTH LINE OF DISTILLERY ROAD BEING ALSO THE PLACE OF BEGINNING.

TRACT IV ABOVE BEING THE SAME LAND CONVEYED FROM CPC INTERNATIONAL, INC., TO PEKIN ENERGY COMPANY BY WARRANTY DEED DATED DECEMBER 16, 1980, RECORDED MAY 4, 1981 IN BOOK 2471, AT PAGE 278.

BEING THE SAME TRACT OF LAND DESCRIBED IN A TITLE REPORT PREPARED BY COMMONWEALTH LAND TITLE INSURANCE COMPANY, COMMITMENT NO. 15-001017 DATED JULY 13, 2015.

SCHEDULE 5.2

Subsidiaries

This is Schedule 5.2 to that certain Credit Agreement dated as of December 15, 2016 by and between Pacific Ethanol Pekin, Inc., 1st Farm Credit Services, PCA and CoBank, ACB (as amended, restated, modified or supplemented from time to time, the "**Credit Agreement**"). Capitalized terms defined in the Credit Agreement and not defined in this Schedule 5.2 shall have the respective meanings ascribed to them by the Credit Agreement.

Legal Name of the Company	**Jurisdiction of organization and type of entity** [for example, Delaware limited liability company, Colorado corporation, etc.]
Pacific Ethanol Pekin, Inc.	Delaware corporation

Legal Name of Subsidiary	**Is the Subsidiary a Guarantor?** [Yes or No]	**Jurisdiction of organization and type of entity**

SCHEDULE 5.6

Litigation

On February 27, 2015, Western Sugar Cooperative filed a complaint in the United States District Court for the District of Colorado (Case No. 1:15-cv-00415) naming the Company as defendant. Western Sugar Cooperative amended its complaint on April 21, 2015. The Company purchased surplus sugar through a United States Department of Agriculture ("USDA") program. Western Sugar Cooperative was one of the entities that warehoused this sugar for the Company. The suit alleges that the Company breached a contract with Western Sugar Cooperative by failing to pay increased rates that it demanded for the storage of the Company's sugar, or alternatively is due additional payment under Western Sugar Cooperative's equitable claims. Western Sugar Cooperative alleges that its higher rates apply because the Company failed to timely order the sugar for immediate delivery, thereby allowing Western Sugar Cooperative to set its own storage rates and avoid the lower USDA contract rate that the Company paid. Western Sugar Cooperative claims damages in the amount of approximately $8.6 million. The Company filed answers to Western Sugar Cooperative's complaint and amended the complaint generally denying Western Sugar Cooperatives's allegations and asserting various defenses, including that the Company never entered into a storage contract with Western Sugar Cooperative, that the Company paid the rate that Western Sugar Cooperative was due under the governing USDA contract documents, or alternatively that the Company paid a reasonable rate and that Western Sugar Cooperative's claimed rates constitute an impermissible penalty. The Company filed a motion for summary judgment seeking a determination that Western Sugar Cooperative's four claims fail as a matter of law. The court granted the motion in part and dismissed one claim, while finding that disputed factual matters remain for trial on Western Sugar Cooperative's other three claims. A trial date has not yet been scheduled, but is expected in the first half of 2017. The Company is disclosing the foregoing litigation in this Schedule 5.6 out of an abundance of caution and does not admit that the foregoing litigation may result in a Material Adverse Change.

SCHEDULE 5.12(e)

Environmental Matters

In August 2016, the Environmental Protection Agency ("EPA") issued a Notice of Intent ("NOI") to file an Administrative Complaint to Pacific Ethanol for alleged violations of Section 112(r) of the Clean Air Act (the Risk Management Plan program) at the Pekin facility ("Facility) and of Section 114 of the Clean Air Act for failure to adequately respond to information requests submitted to the previous owner of the Facility, Aventine Renewable Energy. The NOI proposed a penalty of $277,600 but no final penalty assessment has been made. Pacific Ethanol has entered into a tolling agreement with EPA while Pacific Ethanol provides additional information and documents to EPA to address the alleged violations.

In October 2016, the Illinois Environmental Protection Agency ("IEPA") issued a Violation Notice to Pacific Ethanol for alleged violations of Illinois' air quality regulations, Construction Permit # 05010062, and Construction Permit # 06080048 at the Facility. IEPA has requested that Pacific Ethanol enter into a Compliance Commitment Agreement to address the alleged violations, but to date, no penalty has been proposed or assessed.

SCHEDULE 6.12(b)

Collateral Assignments of Material Agreements

Corn Procurement and Supply Agreement between Pacific Ethanol Pekin, Inc. and Pacific Ag. Products, LLC dated September 1, 2016

Co-Product Marketing Agreement between Pacific Ethanol Pekin, Inc. and Pacific Ag. Products, LLC dated July 1, 2015

Ethanol Marketing Agreement between Aventine Renewable Energy, Inc. (n/k/a Pacific Ethanol Peking, Inc.) and Kinergy Marketing LLC dated July 1, 2015

Affiliated Company Agreement between Pacific Ethanol, Inc. and Pacific Ethanol Peking, Inc. dated July 1, 2015

EXHIBIT A

Form of Term Note

TERM NOTE

$64,000,000 Greenwood Village, Colorado
December 15, 2016

FOR VALUE RECEIVED, PACIFIC ETHANOL PEKIN, INC., a corporation organized and existing under the laws of Delaware (the "**Company**"), hereby promises to pay to the order of 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 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 even date herewith, 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.

1. *Borrowing Availability*. If not sooner borrowed, the Term Loan Amount shall be borrowed in a single advance no later than 12:00 noon on January 31, 2017 (the "**Term Loan Availability Expiration Date**").

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*. Principal hereunder shall be due and payable in seventeen (17) equal consecutive quarterly installments of $3,500,000 each, beginning on May 20, 2017, and continuing on the twentieth (20th) day of each August, November, February and May 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 3.75% 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 180 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, INC.

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

[Term Note Signature Page]

EXHIBIT A

FORM OF TERM LOAN REQUEST

[_____], 20[__]

To: CoBank, ACB (the "**Agent**")

From: Pacific Ethanol Pekin, Inc. (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, 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, INC.

By:_____
Name:_____
Title:_____

EXHIBIT B

Form of Revolving Term Note

REVOLVING TERM NOTE

$32,000,000 Greenwood Village, Colorado
December 15, 2016

FOR VALUE RECEIVED, PACIFIC ETHANOL PEKIN, INC., a corporation organized and existing under the laws of Delaware (the "**Company**"), hereby promises to pay to the order of 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 even date herewith, 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 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.

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 be payable monthly in arrears on the 20th day of each month hereafter, commencing on December 20, 2016, 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 3.75% 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 180 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, INC.

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

[Revolving Term Note Signature Page]

EXHIBIT A

FORM OF REVOLVING TERM LOAN REQUEST

[_____], 20[__]

To: CoBank, ACB (the "**Agent**")

From: Pacific Ethanol Pekin, Inc. (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, 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, INC.

By: _____
Name: _____
Title: _____

EXHIBIT C

Form of Compliance Certificate

Pacific Ethanol Pekin, Inc.
Compliance Certificate

Date:_____

This Certificate is delivered pursuant to the Credit Agreement dated _____, as amended, (hereinafter referred to as the "Agreement") between Pacific Ethanol Pekin, Inc. (the "Company"), 1st Farm Credit Services, FLCA, and CoBank, ACB ("Agent"). Terms used herein and defined in the Credit Agreement shall have their defined meanings when used herein.

Article 8.1 - Working Capital

Required to be not less than $20,000,000 measured at each month end.

GAAP Current Assets	$0		
plus: Unadvanced Portion of the Term Revolver	$0		
Adjusted Current Assets			$0
GAAP Current Liabilities	$0		
plus: Current Portion of Long Term Indebtedness (if not already included in Current Liabilities)	$0		
Adjusted Current Liabilities			$0
		GAAP Working Capital -->	$0
		Adjusted Working Capital -->	**$0**
Compliance (Yes/No)			

Article 8.2 - Debt Service Coverage Ratio

Required to be not less than 1.25x, measured at each fiscal year end (beginning 12/31/17) based on the annual audit.

Net Income (after tax)	$0		
plus: Depreciation & Amortization	$0		
less: Non-Cash Dividends/Distributions Received	$0		
less: Extraordinary Gains (plus Losses approved by Agent)	$0		
less: Gains (plus Losses approved by Agent) on Asset Sales	$0		
Cash Available for Debt Service			$0
Divided by: $14,000,000			$14,000,000
		DSC Ratio -->	**0.00**
Compliance (Yes/No)			

Article 7.7 - Dividends and Related Distributions

Beginning 12/31/17, annual dividend and distribution payments allowed in a maximum amount of 40% of net income after receipt of the annual audit and prior to April 30th of such year, subject to compliance with all financial covenants. Additional intra-year dividend and distribution payments may be made so long as the Company is in compliance with all financial covenants and will remain in compliance on a pro forma basis, and working capital on a pro forma basis is not less than $26,000,000.

Intra-Year Dividends/Distributions		
Intra-Year Dividends/Distributions Allowed (Yes/No)		
Intra-Year Dividends/Distributions Paid Year to Date		$0
Annual Dividends/Distributions		
Annual Dividends/Distributions Allowed (Yes/No)		
Maximum Dividend/Distribution Payment Allowed (40% of prior year audited net income)	$0	
Annual Dividends/Distributions Paid Year to Date		$0
Compliance (Yes/No)		

FINANCIAL OFFICER CERTIFICATION

The undersigned hereby certifies that the foregoing is a correct statement of financial condition and compliance as of the month end stated above, and that, during such month, there existed at no time any condition or event which constituted an event of default or which, after notice or lapse of time or both, would constitute an event of default in the performance of any covenants contained in the Credit Agreement.

By:_____ **Title:**_____ **Date:**_____

Exhibit 10.6

COBANK, ACB

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "**Security Agreement**") is executed and delivered by PACIFIC ETHANOL PEKIN, INC. (the "**Debtor**"), a Delaware corporation, having its place of business (or chief executive office if more than one place of business) located at 400 Capital Mall, Suite 2060, Sacramento, California 95814 to COBANK, ACB (the "**Secured Party**"), a federally chartered instrumentality of the United States, whose mailing address is P.O. Box 5110, Denver, Colorado 80217, as agent for 1ST FARM CREDIT SERVICES, PCA ("**Lender**"), a federally chartered instrumentality of the United States, and COBANK, ACB ("**Cash Management Provider**").

SECTION 1. GRANT OF SECURITY INTEREST. For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby grants to the Secured Party a security interest in all of the personal property of the Debtor, wherever located and whether now existing or hereafter acquired, together with all accessions and additions thereto, and all products and proceeds thereof, including:

> accounts; inventory (including without limitation, returned or repossessed goods); goods; as-extracted collateral; chattel paper; electronic chattel paper; instruments; investment property (including, without limitation, certificated and uncertificated securities, security entitlements, securities accounts, commodity contracts, and commodity accounts); letters of credit; letter-of-credit rights; documents; equipment; farm products; fixtures; general intangibles (including, without limitation, payment intangibles, choses or things in action, litigation rights and resulting judgments, goodwill, patents, trademarks and other intellectual property, tax refunds, miscellaneous rights to payment, investments and other interests in entities not included in the definition of investment property (including, without limitation, all equities and patronage rights in all cooperatives and all interests in partnerships and joint ventures), margin accounts, computer programs, software, invoices, books, records and other information relating to or arising out of the Debtor's business); and, to the extent not covered by the above, all other personal property of the Debtor of every type and description, including without limitation, supporting obligations, interests or claims in or under any policy of insurance, commercial tort claims, deposit accounts, money, and judgments (the "**Collateral**").

Where applicable, all terms used herein shall have the same meaning as presently and as hereafter defined in the Uniform Commercial Code (the "**UCC**").

SECTION 2. THE OBLIGATIONS. The security interest granted hereunder shall secure the payment of all indebtedness and the performance of all obligations of the Debtor to the Secured Party 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, advances and other extensions of credit and all covenants, agreements, and provisions contained in all loan and other agreements between the parties (the "**Obligations**").

SECTION 3. REPRESENTATIONS, WARRANTIES AND COVENANTS. The Debtor represents, warrants and covenants as follows:

A. Title to Collateral. Except as expressly permitted under that certain Credit Agreement dated as of even date herewith between the Secured Party and Debtor (the "**Agreement**") or by any other written agreement between the parties, and except for any security interest in favor of the Secured Party, the Debtor has clear title to all Collateral free of all adverse claims, interests, liens, or encumbrances. Without the prior written consent of the Secured Party, the Debtor shall not create or permit the existence of any adverse claims, interests, liens, or other encumbrances against any of the Collateral. The Debtor shall provide prompt written notice to the Secured Party of any future adverse claims, interests, liens, or encumbrances against all Collateral, and shall defend diligently the Debtor's and the Secured Party's interests in all Collateral.

B. Validity of Security Agreement; Corporate Authority. This Security Agreement is the valid and binding obligation of the Debtor, enforceable in accordance with its terms. The Debtor is duly formed, validly existing and in good standing under the laws of its jurisdiction of formation. The Debtor has the full corporate power to execute, deliver and carry out the terms and provisions of this Security Agreement and all related documents and to grant to the Secured Party a security interest in, and a lien on, the Collateral, has taken all necessary action to authorize the execution, delivery and performance of this Security Agreement and all related documents, and such execution, delivery and performance do not and will not (i) violate any of the terms or provisions of the organizational documents of the Debtor or any provision of any law, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Debtor, (ii) result in a breach of, or constitute a default under, any indenture or loan or credit agreement or any other agreement, document or instrument to which the Debtor is a party or by which the Debtor or any of the Debtor's property may be bound or affected or (iii) result in or require the creation or imposition of any lien or other encumbrance of any nature upon or with respect to any of the property of the Debtor (except for any security interest in favor of the Secured Party).

C. Location of the Debtor. The Debtor's place of business (or chief executive office if more than one place of business) is located at the address shown above. The Debtor's state of incorporation or formation is as shown above.

D. Location of Fixtures. All fixtures are now at the location or locations specified on **Schedule A** attached hereto and made a part hereof.

E. Name, Identity, and Corporate Structure. The Debtor's exact legal name is as set forth above. Except as set forth on **Schedule B**, the Debtor has not within the past one year changed its name, identity or corporate structure through incorporation, merger, consolidation, joint venture or otherwise.

F. Change in Name, State of Debtor's Location, Location of Collateral, Etc. Without giving at least thirty days' prior written notice to the Secured Party, the Debtor shall not change its name, identity or corporate structure, the location of its place of business (or chief executive office if more than one place of business), its state of incorporation or formation, or the location of the Collateral.

G. Further Assurances. Upon the reasonable request of the Secured Party, the Debtor shall do all acts and things as the Secured Party may from time to time reasonably deem necessary or advisable to enable it to perfect, maintain, and continue the perfection and priority of the security interest of the Secured Party in the Collateral, or to facilitate the exercise by the Secured Party of any rights or remedies granted to the Secured Party hereunder or provided by law. Without limiting the foregoing, the Debtor agrees to execute, in form and substance reasonably satisfactory to the Secured Party, such financing statements, amendments thereto, supplemental agreements, assignments, notices of assignments, and other instruments and documents as the Secured Party may from time to time reasonably request. In addition, in the event the Collateral or any part thereof consists of instruments, documents, chattel paper, or money (whether or not proceeds of the Collateral), the Debtor shall, upon the request of the Secured Party, deliver possession thereof to the Secured Party (or to an agent of the Secured Party retained for that purpose), together with any appropriate endorsements and/or assignments. Where Collateral is in the possession of a third party, the Debtor will join with the Secured Party in notifying the third party of the Secured Party's security interest and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of the Secured Party. The Debtor will cooperate with the Secured Party in obtaining control with respect to Collateral consisting of deposit accounts (that are not held by the Secured Party as depositary institution), investment property, letter-of-credit rights and electronic chattel paper. The Secured Party shall use reasonable care in the custody and preservation of such Collateral in its possession, but shall not be required to take any steps necessary to preserve rights against prior parties. All costs and expenses incurred by the Secured Party to establish, perfect, maintain, determine the priority of, or release the security interest granted hereunder (including the cost of all filings, recordings, and taxes thereon and the fees and expenses of any agent retained by Secured Party) shall become part of the Obligations secured hereby and be paid by the Debtor on demand.

H. Insurance. The Debtor shall maintain such property and casualty insurance as required under the Agreement. All such policies shall provide for loss payable clauses or endorsements and other terms and conditions in form and content acceptable to the Secured Party. Upon the request of the Secured Party, all policies (or such other proof of compliance with this Section as may be satisfactory to the Secured Party) shall be delivered to the Secured Party. The Debtor shall pay all insurance premiums when due. In the event of loss, damage, or injury to any insured Collateral, the Secured Party shall have full power to collect any and all insurance proceeds due under any of such policies (and the Debtor hereby agrees, upon request by the Secured Party, to promptly forward to the Secured Party all such insurance proceeds received directly by the Debtor), and may, at its option, apply such proceeds to the payment of any of the Obligations secured hereby, or may apply such proceeds to the repair or replacement of such Collateral.

I. Taxes, Levies, Etc. The Debtor has paid and shall continue to pay when due all taxes, levies, assessments, or other charges which may become an enforceable lien against the Collateral.

J. Disposition and Use of Collateral by the Debtor. Except as expressly permitted under the Credit Agreement, without the prior written consent of the Secured Party, the Debtor shall not at any time sell, transfer, lease, abandon, or otherwise dispose of any Collateral, except that, so long as the Debtor is not in default hereunder, the Debtor may sell, transfer, lease, abandon, or otherwise dispose of any Collateral in the ordinary course of Debtor's business. The Debtor shall not use any of the Collateral in any manner which violates any statute, regulation, ordinance, rule, decree, order, or insurance policy.

K. Receivables. The Debtor shall preserve, enforce, and collect all accounts, chattel paper, electronic chattel paper, instruments, documents and general intangibles, whether now owned or hereafter acquired or arising (the "**Receivables**"), in a diligent fashion and, upon the request of the Secured Party, the Debtor shall execute an agreement in form and substance satisfactory to the Secured Party by which the Debtor shall direct all account debtors and obligors on Receivables to make payment to a lock box deposit account under the exclusive control of the Secured Party.

L. Condition of Collateral. All tangible Collateral is now in good repair and condition (ordinary wear and tear excepted) and except as expressly permitted under the Credit Agreement, the Debtor shall at all times hereafter, at its own expense, maintain all such Collateral in good repair and condition (ordinary wear and tear excepted).

M. Condition of Books and Records. The Debtor has maintained and shall maintain complete, accurate and up-to-date books, records, accounts, and other information relating to all Collateral in such form and in such detail as may be satisfactory to the Secured Party, and shall allow the Secured Party or its representatives at any reasonable time to examine and copy such books, records, accounts, and other information.

N. Right of Inspection. At all reasonable times upon the request of the Secured Party, the Debtor shall allow the Secured Party or its representatives to visit any of the Debtor's properties or locations so that the Secured Party or its representatives may confirm, inspect and appraise any of the Collateral.

SECTION 4. RIGHTS AND REMEDIES. If an Event of Default as defined under the Agreement (an "**Event of Default**") shall have occurred and be continuing, the Secured Party may exercise any and all rights and remedies of the Secured Party in the enforcement of its security interest under the UCC, this Security Agreement, or any other applicable law. Without limiting the foregoing:

A. Disposition of Collateral. Upon and during the existence of an Event of Default, the Secured Party may sell, lease, or otherwise dispose of all or any part of the Collateral, in its then present condition or following any commercially reasonable preparation or processing thereof, whether by public or private sale or at any brokers' board, in lots or in bulk, for cash, on credit or otherwise, with or without representations or warranties, and upon such other terms as may be acceptable to the Secured Party, and the Secured Party may purchase at any public sale. At any time when advance notice of sale is required, the Debtor agrees that ten days' prior written notice shall be reasonable. In connection with the foregoing, the Secured Party may:

1. require the Debtor to assemble the Collateral and all records pertaining thereto and make such Collateral and records available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties;

2. enter the premises of the Debtor or premises under the Debtor's control and take possession of the Collateral;

3. without charge, use or occupy the premises of the Debtor or premises under the Debtor's control, including without limitation, warehouse and other storage facilities;

4. without charge, use any patent, trademark, tradename, or other intellectual property or technical process used by the Debtor in connection with any of the Collateral; and

5. rely conclusively upon the advice or instructions of any one or more brokers or other experts selected by the Secured Party to determine the method or manner of disposition of any of the Collateral and, in such event, any disposition of the Collateral by the Secured Party in accordance with such advice or instructions shall be deemed to be commercially reasonable.

B. Collection of Receivables. Upon and during the existence of an Event of Default, the Secured Party may, but shall not be obligated to, take all actions reasonable or necessary to preserve, enforce or collect the Receivables, including without limitation, the right to notify account debtors and obligors on Receivables to make direct payment to the Secured Party, to permit any extension, compromise, or settlement of any of the Receivables for less than face value, or to sue on any Receivable, all without prior notice to the Debtor.

C. Proceeds. Upon and during the existence of an Event of Default, the Secured Party may collect and apply all proceeds of the Collateral, and may endorse the name of the Debtor in favor of the Secured Party on any and all checks, drafts, money orders, notes, acceptances, or other instruments of the same or a different nature, constituting, evidencing, or relating to the Collateral. The Secured Party may receive and open all mail addressed to the Debtor and remove therefrom any cash or non-cash items of payment constituting proceeds of the Collateral.

D. Insurance Adjustments. Upon and during the existence of an Event of Default, the Secured Party may adjust, settle, and cancel any and all insurance covering any Collateral, endorse the name of the Debtor on any and all checks or drafts drawn by any insurer, whether representing payment for a loss or a return of unearned premium, and execute any and all proofs of claim and other documents or instruments of every kind required by any insurer in connection with any payment by such insurer.

The net proceeds of any disposition of the Collateral may be applied by the Secured Party, after deducting its reasonable expenses incurred in such disposition, to the payment in whole or in part of the Obligations in such order as the Secured Party may elect. The enumeration of the foregoing rights and remedies is not intended to be exhaustive, and the exercise of any right and/or remedy shall not preclude the exercise of any other rights or remedies, all of which are cumulative and non-exclusive.

SECTION 5. OTHER PROVISIONS.

A. Amendment, Modification, and Waiver. Without the prior written consent of the Secured Party, no amendment, modification, or waiver of, or consent to any departure by the Debtor from, any provision hereunder shall be effective. Any such amendment, modification, waiver, or consent shall be effective only in the specific instance and for the specific purpose for which given. No delay or failure by the Secured Party to exercise any remedy hereunder shall be deemed a waiver thereof or of any other remedy hereunder. A waiver on any one occasion shall not be construed as a bar to or waiver of any remedy on any subsequent occasion.

B. Costs and Attorneys' Fees. Except as prohibited by law, if at any time the Secured Party employs counsel in connection with the creation, perfection, preservation, or release of the Secured Party's security interest in the Collateral or the enforcement of any of the Secured Party's rights or remedies hereunder, all of the Secured Party's reasonable attorneys' fees arising from such services and all expenses, costs, or charges relating thereto shall become part of the Obligations secured hereby and be paid by the Debtor on demand.

C. No Obligation to Make Loans. Nothing contained herein or in any financing statement or other document executed or filed in connection herewith (other than the Agreement and the Notes, to the extent obligations arise thereunder) shall be construed to obligate the Secured Party to make any loans or advances to the Debtor, whether pursuant to a commitment or otherwise.

D. Revival of Obligations. To the extent the Debtor or any third party makes a payment or payments to the Secured Party or the Secured Party enforces its security interest or exercises any right of setoff, and such payment or payments or the proceeds thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, and/or required to be repaid to a trustee, receiver, or any other party under any bankruptcy, insolvency or other law or in equity, then, to the extent of such recovery, the Obligations or any part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment or payments had not been made, or such enforcement or setoff had not occurred.

E. Performance by the Secured Party. In the event the Debtor shall at any time fail to pay or perform punctually any of its duties hereunder, the Secured Party may, at its option and without notice to or demand upon the Debtor, without obligation and without waiving or diminishing any of its other rights or remedies hereunder, fully perform or discharge any of such duties. All costs and expenses incurred by the Secured Party in connection therewith, together with interest thereon at the Secured Party's CoBank Base Rate plus four percent per annum, shall become part of the Obligations secured hereby and be paid by the Debtor upon demand.

F. Indemnification, Etc. The Debtor hereby expressly indemnifies and holds the Secured Party harmless from any and all claims, causes of action, or other proceedings, and from any and all liability, loss, damage, and expense of every nature, arising by reason of the Secured Party's enforcement of its rights and remedies hereunder, or by reason of the Debtor's failure to comply with any environmental or other law or regulation. As to any action taken by the Secured Party hereunder, the Secured Party shall not be liable for any error of judgment or mistake of fact or law, absent gross negligence or willful misconduct on its part.

G. Power of Attorney. The Debtor hereby appoints the Secured Party or the Secured Party's designee as its attorney-in-fact, which appointment is irrevocable, durable, and coupled with an interest, with full power of substitution, in the name of the Debtor or in the name of the Secured Party, upon and during the existence of an Event of Default, to take any action which the Debtor is obligated to perform hereunder or which the Secured Party may deem necessary or advisable to accomplish the purposes of this Security Agreement. In taking any action in accordance with this Section, the Secured Party shall not be deemed to be the agent of the Debtor. The powers conferred upon the Secured Party in this Section are solely to protect its interest in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers.

H. Continuing Effect. This Security Agreement, the Secured Party's security interest in the Collateral, and all other documents or instruments contemplated hereby shall continue in full force and effect until all of the Obligations have been satisfied in full, the Secured Party has no commitment to make any further advances to the Debtor, and the Debtor has sent a valid written demand to the Secured Party for termination of this Security Agreement.

I. Binding Effect. This Security Agreement shall be binding upon and inure to the benefit of the Debtor and the Secured Party and their respective successors and assigns.

J. Security Agreement as Financing Statement and Authorization to File. A photographic copy or other reproduction of this Security Agreement may be used as a financing statement. In addition, the Debtor authorizes the Secured Party to prepare and file financing statements describing the Collateral, amendments thereto, and continuation statements and file any financing statement, amendment thereto or continuation statement electronically. In addition, the Debtor authorizes the Secured Party to file financing statements describing any agricultural liens or other statutory liens held by the Secured Party.

K. Governing Law. Subject to any applicable federal law, this Security Agreement shall be construed in accordance with and governed by the laws of the State of Colorado, except to the extent that the UCC provides for the application of the law of another state.

L. Notices. All notices, requests, demands, or other communications required or permitted hereunder shall be given as provided in Section 11.4 of the Agreement.

M. Severability. The determination that any term or provision of this Security Agreement is unenforceable or invalid shall not affect the enforceability or validity of any other term or provision hereof.

IN WITNESS WHEREOF, the Debtor has executed this Security Agreement by its duly authorized officer as of the day and year shown below.

Date: December 15, 2016

Debtor: PACIFIC ETHANOL PEKIN, INC., a Delaware corporation,

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

SCHEDULE A

To Security Agreement Dated December 15, 2016

Executed By: **PACIFIC ETHANOL PEKIN, INC.**

Set forth below are the present locations (by county and state) of the Debtor's fixtures.

County:	Tazewell	State:	Illinois

SCHEDULE B

To Security Agreement Dated December 15, 2016

Executed By: **PACIFIC ETHANOL PEKIN, INC.**

Set forth below is an explanation of any changes within the past one (1) year to the Debtor's name, identity or corporate structure through incorporation, merger, consolidation, joint venture or otherwise.

Pacific Ethanol Pekin, Inc.

1. On May 10, 1995, the Debtor was formed as a Delaware corporation named Williams Ethanol Services, Inc.

2. On May 30, 2003, the Debtor filed an Amended & Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, changing its name from "Williams Ethanol Services, Inc." to "Aventine Renewable Energy, Inc."

3. On July 15, 2015, the Debtor filed a Certificate of Amendment of Certificate of Incorporation with the Secretary of State of the State of Delaware, changing its name from "Aventine Renewable Energy, Inc." to "Pacific Ethanol Pekin, Inc."

Exhibit 10.7

Execution Copy

CREDIT AGREEMENT

by and between

PACIFIC AURORA, LLC,

PACIFIC ETHANOL AURORA EAST, LLC

and

PACIFIC ETHANOL AURORA WEST, LLC

as Company

and

COBANK, ACB

as Lender

Dated as of December 15, 2016

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ANNEXES, SCHEDULES AND EXHIBITS

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (as amended, restated, modified or supplemented from time to time, the "**Agreement**") is dated as of December 15, 2016, and is entered into by and between PACIFIC AURORA, LLC , a limited liability company organized and existing under the laws of Delaware ("**PAL**"), PACIFIC ETHANOL AURORA EAST, LLC, a limited liability company organized and existing under the laws of Delaware ("**AE**"), and PACIFIC ETHANOL AURORA WEST , LLC, a limited liability company organized and existing under the laws of Delaware ("**AW**") (PAL, AE and AW are hereinafter referred to individually and collectively as the " **Company**"), and COBANK, ACB, a federally-chartered instrumentality of the United States (" **CoBank**").

Upon the request of the Company, CoBank has agreed to provide the Company with the credit facilities described below. In consideration thereof and of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and CoBank hereby agree as follows:

ARTICLE 1 Certain Definitions and Rules of Construction. In addition to definitions established elsewhere in this Agreement, certain capitalized words and terms used in this Agreement are defined in Annex A to this Agreement, which is incorporated herein by reference and made a part hereof. In addition, Annex A sets forth the rules of construction and certain accounting principles applicable to this Agreement.

ARTICLE 2 The Credit Facilities. Subject to the terms and conditions of this Agreement and relying on the representations and warranties set forth herein, CoBank hereby establishes in favor of the Company the credit facilities, loans, and other financial accommodations described below (collectively, the "**Facilities**"). The Facilities shall be subject to and governed and secured by the terms and conditions contained in this Agreement, the Notes, and the other Loan Documents. The terms of each Note shall set forth the amount and duration of each Facility, the interest thereon, the fees applicable thereto, and the purpose thereof, as well as any other terms and conditions CoBank may elect to set forth therein, and the Company shall be subject thereto.

2.1 **The Revolving Term Loan.** CoBank hereby establishes in favor of the Company a revolving term credit facility as described below (the "**Revolving Term Facility**").

(a) **Loans; Limitations.** Subject to the terms and conditions of this Agreement, the Revolving Term Note and the other Loan Documents, prior to the Revolving Term Facility Expiration Date, upon the request of the Company, CoBank shall make loans to the Company under the Revolving Term Facility (each, a "**Revolving Term Loan**"); provided, that in no event shall CoBank be obligated to make a Revolving Term Loan that, when added to the then-current Revolving Term Facility Usage, would exceed at any time the Revolving Term Commitment. Within such limits and subject to the other terms and conditions of this Agreement and the other Loan Documents, the Company may borrow, repay, and reborrow under the Revolving Term Facility.

(b) **Revolving Term Note**. Amounts owed under the Revolving Term Facility shall be evidenced by a promissory note of the Company, substantially in the form of Exhibit A hereto and otherwise in form and substance satisfactory to CoBank, payable to the order of CoBank (as amended, restated, modified, supplemented, replaced, refinanced or renewed from time to time, the "**Revolving Term Note**"). The terms and provisions of the Revolving Term Note are incorporated herein by reference and made a part hereof. In the event of irreconcilable inconsistency between the terms hereof and the terms of the Revolving Term Note, the terms of the Revolving Term Note shall control.

(c) **Payment Dates**. All principal, interest and fees outstanding under the Revolving Term Facility shall be due and payable pursuant to the Revolving Term Note except to the extent otherwise provided for in this Agreement.

(d) **Cash Management Arrangements**. The Company and CoBank may enter into a CoBank Cash Management Agreement providing for the automatic advance by CoBank of Revolving Term Loans under the conditions set forth in such agreement, which conditions shall be in addition to the conditions set forth herein.

(e) **Protective Advances.** CoBank is authorized by the Company (but shall have absolutely no obligation to), from time to time in CoBank's sole discretion, to make Revolving Term Loans to or on behalf of the Company that CoBank deems necessary or desirable (i) to preserve or protect the Collateral, or any portion thereof, (ii) to enhance the likelihood of, or maximize the amount of, repayment of the Loans and other Obligations, or (iii) to pay any other amount chargeable to or required to be paid by the Company pursuant to the terms of this Agreement, including payments of reimbursable expenses (including reasonable costs, fees, and expenses as described in Section 10.2) and other sums payable under the Loan Documents (any of such Revolving Term Loans are herein referred to as "**Protective Advances**"). Protective Advances may be made even if the conditions precedent set forth in Section 4.2 have not been satisfied. The Protective Advances shall be secured by the Collateral and shall constitute Obligations hereunder. All Protective Advances shall be Libor Index Rate Loans.

2.2 **Support L/C Facility.** CoBank hereby establishes in favor of the Company a support letter of credit facility as described below (the "**Support L/C Facility**").

(a) **Support L/C Facility.** CoBank agrees to make loans to the Company in a principal amount not to exceed the Support L/C Facility Amount set forth in the Support L/C Facility Note (the "**Support L/C Facility Loan**") upon the request of the Company made in accordance with the terms of the Support L/C Facility Note and this Agreement. The Support L/C Facility Loan shall be evidenced by a promissory note of the Company, substantially in the form of Exhibit B hereto and otherwise in form and substance satisfactory to CoBank, payable to the order of CoBank (as amended, restated, modified, supplemented, replaced, refinanced or renewed from time to time, the "**Support L/C Facility Note**"). The terms and provisions of the Support L/C Facility Note are incorporated herein by reference and made a part hereof. In the event of irreconcilable inconsistency between the terms hereof and the terms of the Support L/C Facility Note, the terms of the Support L/C Facility Note shall control.

(b) **Support L/C Facility Fees.** Accruing from the date hereof until the Support L/C Facility Expiration Date, the Company shall pay to CoBank a nonrefundable commitment fee equal to 4.00% per annum (computed on the basis of a year of 360 days and actual days elapsed) multiplied by the aggregate face amount of each Letter of Credit. Such fee shall be payable quarterly in arrears on the first day of each calendar quarter hereafter, commencing on April 1, 2017, and on the Support L/C Facility Expiration Date.

(c) **Letter of Credit Agreement and Application**. Prior to the issuance of any Letter of Credit and as a condition thereof, the Company shall execute and deliver to CoBank a Reimbursement Agreement in such form as CoBank may specify (the "**Reimbursement Agreement**"). With respect to any Letter of Credit, the terms of the Reimbursement Agreement shall supplement the terms of this Agreement and shall apply to any Letter of Credit. The Company shall give notice to CoBank of its request for any Letter of Credit on a Business Day which is at least five (5) Business Days (or such lesser number of days as CoBank shall agree in any particular instance in its sole discretion) prior to the proposed date of issuance of any Letter of Credit (which shall be a Business Day). Such notice shall be accompanied by a letter of credit application in a form supplied by CoBank, fully completed and duly executed by the Company and in all respects satisfactory to CoBank, together with such other documentation as CoBank may request in support thereof (the "**Application**"). Any such Reimbursement Agreement and Application given by the Company to CoBank is incorporated herein by reference and made a part hereof and, in the event of any irreconcilable inconsistency between the terms of the Reimbursement Agreement and the terms of this Agreement or between the terms of the Application and the terms of this Agreement, the terms of this Agreement in each instance shall control.

(d) **Reimbursement Obligation**. The Company hereby unconditionally and irrevocably agrees to reimburse CoBank in full in immediately available funds for each payment and disbursement made by CoBank under any Letter of Credit no later than 3:00 p.m. (Mountain time) on the date that such payment or disbursement is made. In the event the Company fails to pay such reimbursement obligation in full by such time, the Company hereby authorizes CoBank to make a Support L/C Facility Loan under the Support L/C Facility Note if such payment of disbursement was made under any Letter of Credit, and the Company is hereby deemed to have requested a Support L/C Facility Loan, on that date in the amount of any unpaid reimbursement obligation then owing with respect to such payment and disbursement, and such advance may be made to and for the account of CoBank whether or not any condition to the making of a Support L/C Facility Loan is met; provided, however, that CoBank shall be under no obligation to make any such Support L/C Facility Loan. Any amount not reimbursed on the date of a payment or disbursement by CoBank under any Letter of Credit shall bear interest from the date of such payment or disbursement to the date that CoBank is reimbursed by the Company therefor (directly or by way of a Support L/C Facility Loan), payable on demand, at a rate per annum equal to the LIBOR Index Option provided for in the Support L/C Facility Note. CoBank will endeavor to notify the Company whenever any demand for payment is made under any Letter of Credit by the beneficiary thereunder; provided that the failure of CoBank to so notify the Company shall not affect the rights of CoBank in any manner whatsoever.

(e) **Payments under Support L/C Facility.** All principal, interest and fees outstanding under the Support L/C Facility shall be due and payable pursuant to the Support L/C Facility Note except to the extent otherwise provided for in this Agreement.

2.3 **Availability and Payments Generally.**

(a) **Availability**. Loans and advances will be made available by wire transfer of immediately available funds to such account or accounts as may be authorized or directed by the Company on forms supplied or approved by CoBank. CoBank shall be entitled to rely on (and shall incur no liability to the Company in acting on) any request, delegation or direction furnished by the Company in accordance with the terms of this Agreement, any Note, a Delegation Form or any other Loan Document.

(b) **Payments Generally**. All payments and prepayments to be made in respect of the Obligations shall be payable prior to 3:00 p.m. (Mountain time) on the date when due 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, and an action therefor shall immediately accrue. Such payments or prepayments of Obligations shall be made (i) by wire transfer of immediately available funds to ABA No. 307088754 for advice to and credit of CoBank (or to such other account as CoBank may direct by written notice) or (ii) by check or ACH transfer, to CoBank at its office located at 6340 S. Fiddlers Green Circle, Greenwood Village, Colorado 80111 (or at such other place of payment designated by CoBank to the Company) for the account of CoBank in U.S. dollars and in immediately available funds. In the event that any payment on any Obligation is made by check by the Company, credit for payment by check shall be given as of the Business Day on which CoBank receives the check at the address designated by CoBank from time to time for delivery of payments by check. All notices by the Company to CoBank of payment or prepayment shall be irrevocable. CoBank's statement of account, ledger, or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal, interest, and other Obligations owing under this Agreement, the Notes, and the other Loan Documents and shall be deemed an "account stated." Any payment received by CoBank after 3:00 p.m. (Mountain time) shall be deemed received by CoBank on the next succeeding Business Day. All payments hereunder and under any Note, including all amounts designated as principal prepayments, shall be credited first to interest, costs, and lawful charges then accrued and the remainder to principal as provided herein or in any applicable Note or otherwise as CoBank in its sole discretion may determine.

2.4 **Interest Payment Dates.** Interest on principal amounts subject to the Quoted Rate Option or LIBOR Index Option shall be: (a) calculated monthly in arrears as of the last day of each month and on the final maturity date of the Loans; and (b) due and payable monthly in arrears on the twentieth (20th) day of the following month (or on such other day in such month as CoBank shall require in a written notice to the Company) and at maturity (whether at stated maturity, by acceleration or otherwise) and after maturity on demand, and on the date of any payment or prepayment of any principal amount on the amount paid. Interest based on the Quoted Rate Option or LIBOR Index Option will be calculated in each case on the basis of the actual number of days elapsed in a year of 360 days.

2.5 **Interest After Default.** To the extent permitted by Law and notwithstanding any other term or condition of this Agreement, any Note or any other Loan Document, upon the occurrence of an Event of Default and until the time such Event of Default shall have been cured or waived in writing by CoBank: (a) each Loan outstanding hereunder shall bear interest at a rate per annum equal to the sum of (i) the rate of interest that would otherwise be applicable pursuant to each Note or this Agreement plus (ii) an additional 4.0% per annum; (b) all fees otherwise applicable pursuant to this Agreement, any Note or any other Loan Document shall be increased by an additional 4.0% per annum; (c) each other Obligation hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of (i) the rate of interest applicable under the LIBOR Index Option plus (ii) an additional 4.0% per annum from the time such Obligation becomes due and payable and until it is paid in full; and (d) the Company acknowledges that the increase in rates referred to in this paragraph reflects, among other things, the fact that the Loans outstanding and other Obligations have become a substantially greater risk given their default status and that CoBank is entitled to additional compensation for such risk. All such interest shall be payable by the Company upon demand by CoBank.

2.6 **Right to Prepay.** The Company shall have the right at its option from time to time to prepay any of the Loans in whole or in part without premium or penalty, except as may be otherwise set forth in a Note and except as provided in Sections 3.1, 3.4 and 10.2; provided, that the Company agrees, upon any prepayment of the Loans or reduction or termination of the Revolving Term Commitment or Support L/C Facility Amount (a) prior to December 1, 2017 in connection with third party financing received by the Company, to pay CoBank a prepayment penalty equal to 2.0% of the amount of such prepayment, reduction or termination and (b) on or after December 1, 2017 but prior to December 1, 2018 in connection with third party financing received by the Company, to pay CoBank a prepayment penalty equal to 1.0% of the amount of such prepayment, reduction or termination. Whenever the Company desires to prepay all or any part of the Loans, it shall provide a prepayment notice to CoBank by 1:00 p.m. (Mountain time) at least three (3) Business Days prior to the date of prepayment of any Loans to which the Quoted Rate Option applies and by 1:00 p.m. (Mountain time) on the same Business Day of prepayment of any Loans to which the LIBOR Index Option applies, setting forth in each case the following information: (a) the date, which shall be a Business Day, on which the proposed prepayment is to be made; (b) a statement indicating the application of the prepayment between the various Facilities (if more than one hereunder); (c) a statement indicating the application of the prepayment among Loans to which the Quoted Rate Option applies and Loans to which the LIBOR Index Option applies; and (d) the principal amount of such prepayment, which shall be in the minimum principal amount of the lesser of (i) $100,000 for each Loan or (ii) the then outstanding amount of the Loan being prepaid. Unless otherwise agreed to by CoBank, all prepayment notices shall be irrevocable. The principal amount of the Loans for which a prepayment notice is given, together with interest on such principal amount except with respect to Loans to which the LIBOR Index Option applies, shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. Except as otherwise provided in this Agreement or a Note, if the Company prepays a Loan but fails to specify the applicable Loan which the Company is prepaying, the prepayment shall be applied (i) first to Loans made under the Revolving Term Loan and then to the Support L/C Facility Loan; and (ii) after giving effect to the allocations in clause (i) above, first to Loans to which the LIBOR Index Option applies and then to Loans to which the Quoted Rate Option applies. Any prepayment of a Loan under the Quoted Rate Option shall be subject to the Company's obligation to indemnify CoBank for break funding damages and costs to the extent provided in Section 3.4.

2.7 **Fees**. The Company shall pay CoBank: (a) a SyndTrak fee of $5,000 on the Closing Date; (b) an administrative fee of $5,000 on the Closing Date and on each December 1 thereafter, commencing on December 1, 2017; (c) an origination fee on the Revolving Term Facility of $180,000 on the Closing Date; and (d) an origination fee on the Support L/C Facility of $3,000 on the Closing Date. Any such fees shall be fully earned when paid and shall not be refundable for any reason.

ARTICLE 3 Increased Costs; Taxes; Illegality; Indemnity.

3.1 **Increased Costs.**

(a) **Increased Costs Generally**. If any Change in Law shall:

(i) impose, modify, or deem applicable any reserve, special deposit, compulsory loan, insurance charge, or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, CoBank;

(ii) subject CoBank to any Taxes of any kind whatsoever with respect to this Agreement, any Note, Letter of Credit, or any other Loan Document, or any Loan hereunder or any other Obligation, or change the basis of taxation of payments to CoBank in respect thereof (except for Indemnified Taxes or Other Taxes covered below and the imposition of, or any change in the rate of, any Excluded Tax payable by CoBank); or

(iii) impose on CoBank or the London interbank market any other condition, cost, or expense (other than Taxes) affecting this Agreement, any Note, Letter of Credit, or any other Loan Document, or any Loan made by CoBank;

and the result of any of the foregoing shall be to increase the cost to CoBank of issuing or maintaining any Letter of Credit (or of maintaining its obligation to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by CoBank hereunder (whether of principal, interest or any other amount) then, upon request of CoBank, the Company will pay to CoBank such additional amount or amounts as will compensate CoBank for such additional costs incurred or reduction suffered.

(b) **Certificates for Reimbursement**. A certificate of CoBank setting forth the amount or amounts necessary to compensate CoBank as specified in this Section 3.1 and delivered to the Company shall be conclusive absent manifest error. The Company shall pay CoBank the amount shown as due on any such certificate within ten (10) Business Days after receipt thereof.

(c) **Delay in Requests**. Failure or delay on the part of CoBank to demand compensation pursuant to this Section 3.1 shall not constitute a waiver of CoBank's right to demand such compensation; provided that the Company shall not be required to compensate CoBank pursuant to this Section 3.1 for any increased costs incurred or reductions suffered more than 180 days prior to the date that CoBank notifies the Company of the Change in Law giving rise to such increased costs or reductions or of CoBank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180 day period referred to above shall be extended to include the period of retroactive effect thereof).

3.2 **Taxes.**

(a) **Payments Free of Taxes**. Any and all payments by or on account of any Obligation of the Company hereunder or under any other Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Law. If any applicable Law (as determined in the good faith discretion of CoBank) requires the deduction or withholding by CoBank of any Tax from any such payment, then CoBank shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Official Body in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Company shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 3.2) CoBank receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) **Payment of Other Taxes by the Company**. Without limiting the provisions of the foregoing clause (a) directly above, the Company shall timely pay to the relevant Official Body in accordance with applicable Law, or at the option of CoBank timely reimburse it for the payment of, any Other Taxes.

(c) **Indemnification by the Company**. The Company shall indemnify CoBank, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.2) payable or paid by CoBank or required to be withheld or deducted from a payment to CoBank and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Official Body. A certificate as to the amount of such payment or liability delivered by CoBank to the Company shall be conclusive absent manifest error.

(d) **Evidence of Payments**. As soon as practicable after any payment of Taxes by the Company to an Official Body, the Company shall deliver to CoBank the original or a certified copy of a receipt issued by such Official Body evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to CoBank.

(e) **Treatment of Certain Refunds**. If CoBank determines, in its sole discretion, that it has received a refund of any Taxes as to which it has been indemnified by the Company or with respect to which the Company has paid additional amounts to CoBank pursuant to this Section 3.2, it shall pay to the Company an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Company to CoBank under this Section 3.2 with respect to the Taxes giving rise to such refund), net of all expenses (including Taxes) of CoBank, and without interest (other than any interest paid by the relevant Official Body to CoBank with respect to such refund). The Company, upon request of CoBank, shall repay to CoBank any amount paid over pursuant to this paragraph (plus any penalties, interest or other charges imposed by the relevant Official Body) in the event CoBank is required to repay such refund to such Official Body. Notwithstanding anything to the contrary in this paragraph, in no event will CoBank be required to pay any amount to the Company pursuant to this paragraph the payment of which would place CoBank in a less favorable net after-Tax position than CoBank would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require CoBank to make available its tax returns (or any other information relating to its Taxes that it deems confidential) to the Company or any other person or entity.

3.3 **LIBOR Index Rate Unascertainable; Illegality.**

(a) **Unascertainable**. If, on any date on which a LIBOR Index Rate would otherwise be determined, CoBank shall have determined that:

(i) adequate and reasonable means do not exist for ascertaining such LIBOR Index Rate, or

(ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the LIBOR Index Rate,

then in either case CoBank shall have the rights specified in Section 3.3(c).

(b) **Illegality**. If at any time CoBank shall have determined that the making, maintenance or funding of any Loan to which the LIBOR Index Option applies has been made impracticable or unlawful by compliance by CoBank in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any such Official Body (whether or not having the force of Law), then CoBank shall have the rights specified in Section 3.3(c).

(c) **CoBank's Rights**. In the case of an event specified in Section 3.3(a) or 3.3(b), CoBank shall so notify the Company thereof, and in the case of an event specified in Section 3.3(b), such notice shall describe the specific circumstances of such event. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of CoBank to allow the Company to select, convert to or renew a LIBOR Index Option shall be suspended until CoBank shall have later notified the Company of CoBank's determination that the circumstances giving rise to such previous determination no longer exist. If at any time CoBank makes a determination under Section 3.3(a) and the Company has previously notified CoBank of its selection of, conversion to or renewal of a LIBOR Index Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Quoted Rate Option with respect to such Loans. If CoBank notifies the Company of a determination under Section 3.3(b), the Company shall, subject to the Company's indemnification Obligations under Section 3.4, as to any Loan of the Company to which a LIBOR Index Option applies, as applicable, on the date specified in such notice either convert such Loan to the Quoted Rate Option with respect to such Loan or prepay such Loan in accordance with Section 2.6. Absent due notice from the Company of conversion or prepayment, such Loan shall automatically be converted to the Quoted Rate Option with respect to such Loan upon such specified date. Notwithstanding any provision in the Loan Documents to the contrary and solely for purposes of this paragraph, the Quoted Rate Option shall mean a Quoted Rate that is fixed for a 30 day period and equal to the cost of funds of CoBank plus 4.00% per annum.

3.4 **Indemnity.** (a)The Company hereby agrees that upon demand by CoBank, the Company will indemnify CoBank against any loss or expense that CoBank may have sustained or incurred (including any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by CoBank to fund or maintain Quoted Rate Option Loans) or that CoBank may be deemed to have sustained or incurred, as reasonably determined by CoBank, (a) as a consequence of any failure by the Company to make any payment when due of any amount due hereunder in connection with any Quoted Rate Option Loans, (b) due to any failure of the Company to borrow or convert any Quoted Rate Option Loans on a date specified therefor in a notice thereof, or (c) due to any payment or prepayment of any Quoted Rate Option Loans on a date other than the last day of the applicable period of such Quoted Rate for such Quoted Rate Option Loan. For this purpose, all Loan Requests shall be deemed to be irrevocable. Notwithstanding the foregoing, in the event of a conflict between the provisions of this Section 3.4 and of the broken funding charge section of a forward fix agreement between CoBank and the Company, the provisions of the forward fix agreement shall control.

ARTICLE 4 Conditions Precedent. The obligation of CoBank to provide any Facility or to make, issue, renew, or convert any Loan or Letter of Credit under this Agreement, any Note or any other Loan Document is subject to the ongoing performance by the Company of its obligations to be performed under this Agreement, the Notes, and each other Loan Document and to the satisfaction of all conditions set forth in this Agreement, the Notes, and each other Loan Document, including the following conditions:

4.1 **Initial Loans and Letters of Credit.**

(a) **Deliveries**. No later than the Closing Date (or such later date as CoBank shall specify in its sole discretion), CoBank shall have received each of the following (which, in the case of instruments and documents, must (unless otherwise stated below) be originals, duly executed, and in form and substance satisfactory to CoBank):

(i) This Agreement, the Notes, the Working Capital Maintenance Agreement and the Environmental Indemnity and Reimbursement Agreement duly executed by an Authorized Officer of the applicable Loan Parties;

(ii) A Delegation Form;

(iii) (A) all resolutions and other corporate or other organizational action taken by the Loan Parties in connection with this Agreement and the other Loan Documents; (B) the names and titles of the Authorized Officers authorized to sign the Loan Documents and their true signatures; and (C) copies of the Organizational Documents of the Loan Parties as in effect on the Closing Date certified by the appropriate state official where such documents are filed in a state office together with certificates from the appropriate state officials as to the continued existence and good standing of the Loan Parties in each state where organized or qualified to do business;

(iv) A security agreement duly executed by an Authorized Officer of the Company granting to CoBank a first priority Lien, subject only to Permitted Liens, on all Personal Property Collateral of the Company, whether now owned or hereafter acquired, and UCC-1 Financing Statements;

(v) Evidence, including a Lien search in acceptable scope from a provider satisfactory to CoBank, that the security interests in and Liens on the Collateral are valid, enforceable, and properly perfected in a manner acceptable to CoBank and prior to all other Liens (other than Permitted Liens);

(vi) An executed landlord's waiver or other lien waiver agreement from the lessor, warehouse operator, or other applicable Person for each Collateral location as required under or in connection with any security agreement;

(vii) Mortgages or deeds of trust in recordable form and duly executed by an Authorized Officer of the Company, in a face amount of no less than $61,000,000, granting to CoBank a first priority Lien (subject only to Permitted Liens) on the Real Property Collateral;

(viii) A commitment to issue an ALTA lender's title insurance policy, in a form and from a title insurance company acceptable to CoBank, in a face amount of no less than $30,500,000, insuring CoBank's first priority Lien on the Real Property Collateral, with only such exceptions as may be approved by CoBank, together with such endorsements as CoBank may require (the "**Title Policy**");

(ix) An appraisal of the Real Property Collateral which indicates that the Real Property Collateral has an appraised value of $150,000,000 or more and which is otherwise satisfactory to Agent;

(x) Surveys of the Real Property Collateral satisfactory to CoBank, with identification of each item with the corresponding exception number from the Title Policy, together with a certificate of the surveyor or other Person acceptable to CoBank that the Real Property Collateral is or is not, as the case may be, in a special flood hazard area for purposes of the National Flood Insurance Program;

(xi) Evidence that the Company has taken all actions required under the Flood Laws or requested by CoBank to assist in ensuring that CoBank is in compliance with the Flood Laws applicable to the Collateral, including, but not limited to, providing CoBank with the address or GPS coordinates of each structure on any real property that will be subject to mortgages or deeds of trust, and to the extent required under Section 6.6, obtaining flood insurance for such property, structures and contents prior to such property, structures and contents becoming Collateral;

(xii) A written opinion of counsel for the Company, dated no later than the Closing Date, in form and substance and from counsel reasonably satisfactory to CoBank;

(xiii) Evidence that adequate insurance, including flood insurance on any Real Property Collateral, if applicable, required to be maintained under this Agreement or any other Loan Document is in full force and effect, with additional insured, mortgagee and lender loss payable special endorsements attached thereto in form and substance satisfactory to CoBank and counsel (retained, engaged or employed by CoBank) naming CoBank as additional insured, mortgagee and lender loss payee;

(xiv) Evidence of filing of all Official Body consents, approvals and filings, and all material third party consents and approvals required to effectuate the transactions contemplated hereby;

(xv) Phase I environmental assessments of the Real Property Collateral performed by an environmental assessment firm satisfactory to CoBank or other environmental assessments and due diligence satisfactory to CoBank;

(xvi) Evidence of compliance with Section 6.2 and a favorable determination of eligibility of the Company to borrow from CoBank;

(xvii) A complete copy of the fully executed JV Agreement and Closing Documents. The JV shall have been, or substantially simultaneously with the making of the first Loan hereunder, shall be, consummated in accordance with the JV Agreement and Closing Documents, without any amendment to or waiver of any terms or conditions of the JV Agreement and Closing Documents not approved by CoBank (such approval not to be unreasonably withheld or delayed). CoBank shall have received copies of all material due diligence relating to the JV;

(xviii) A pro forma balance sheet of the Company as of the Closing Date which gives effect to the JV, the transactions contemplated thereby and the financing thereof, together with a duly completed Compliance Certificate as of the Closing Date, in each case, certified by the Chief Executive Officer, President, Chief Financial Officer, Controller or comparable Authorized Officer of the Company as having been prepared in good faith and fairly presenting in all material respects the financial position of the Company as of the date thereof. Such pro forma balance sheet and Compliance Certificate shall certify that the Working Capital of the Consolidated Group is not less than $23,000,000 as of the Closing Date;

(xix) A sources and uses statement for the JV, certified by the Chief Executive Officer, President, Chief Financial Officer, Controller or comparable Authorized Officer of the Company as having been prepared in good faith and fairly presenting in all material respects the sources and uses for the JV;

(xx) A payoff letter from Citibank, N.A. confirming the amount required to pay off all Indebtedness owing to such lender by the Company and confirming the discharge, release and termination of all Liens on the property of the Company;

(xxi) Lien releases from Metropolitan Life Insurance Company confirming the discharge, release and termination of all Liens on the property of the Company;

(xxii) A copy of the Risk Management Policy of the Company; and

(xxiii) All other Loan Documents and due diligence materials as CoBank or its counsel may request in connection with this Agreement or any of the foregoing documents, instruments, or agreements.

(b) **Payment of Fees**. The Company shall have paid all fees and expenses of CoBank, if any, payable on or before the Closing Date as required by this Agreement or any other Loan Document.

4.2 **Each Loan.** At the time of the making of any Loan or the issuing, extending, or increasing of any Letter of Credit (including the initial Loan or Letter of Credit) and after giving effect to each such proposed extension(s) of credit, the Company hereby certifies to CoBank that at such time (and each request by the Company for a Loan or for the issuance, extension, or increase of any Letter of Credit is hereby deemed to be such certification):

(a) the representations and warranties of the Loan Parties contained in this Agreement and the other Loan Documents are true and correct in all material respects;

(b) no Event of Default or Default has occurred and is continuing;

(c) the making of the Loan or the issuance, extension, or increase of any Letter of Credit does not contravene any Law applicable to CoBank or the Company or any Subsidiary of the Company;

(d) no Material Adverse Change has occurred since the date of the last audited financial statements of the Company delivered to CoBank;

(e) the Company has satisfied any other conditions precedent set forth in each applicable Loan Document; and

(f) the Company has delivered to CoBank a duly executed and completed Loan Request or an Application for any Letter of Credit, as the case may be.

ARTICLE 5 Representations and Warranties. The Company represents and warrants to CoBank as of the date of this Agreement and as of the making of any Loan or the issuing, extending, or increasing of any Letter of Credit, as follows:

5.1 **Compliance with Loan Documents.** The Company is in compliance with all of the terms of this Agreement and the other Loan Documents, and no Event of Default or Default exists.

5.2 **Subsidiaries.** The Company has no Subsidiaries other than those which are set forth on Schedule 5.2, and all information provided on Schedule 5.2 is complete, true and correct. All stock and other equity interests in the Company and in each Subsidiary are owned free and clear of all Liens other than Permitted Liens. The stock or other equity interests of the Company and each Subsidiary of the Company has been duly authorized and validly issued and is fully paid and non-assessable.

5.3 **Organization; Compliance with Law; Ownership; Investment Companies.**

(a) The Company and each of its Subsidiaries (i) is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, (ii) has the lawful power to own or lease its properties and to engage in the business it conducts or proposes to conduct, and (iii) is duly qualified and in good standing in each jurisdiction where the property owned or leased by it or the nature of the business transacted by it makes such qualification necessary.

(b) The Company and each of its Subsidiaries is in compliance in all material respects with all applicable Laws.

(c) The Company and each of its Subsidiaries (i) has good and marketable title to or a valid leasehold interest in all of its properties, assets, and other rights it purports to own, free and clear of all Liens except Permitted Liens and (ii) owns or possesses all material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises, permits, and rights necessary to own and operate its properties and to carry on its business as presently conducted and planned to be conducted, without known, possible, alleged, or actual conflict with the rights of others. Neither the Company nor any of its Subsidiaries is an "investment company," as defined in, or subject to regulation under, the Investment Company Act of 1940.

5.4 **Power and Authority; Binding and Enforceable Agreement.**

(a) The Company has full limited liability company power to enter into, execute, deliver, carry out, incur the indebtedness contemplated by, and perform its Obligations under, the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part.

(b) This Agreement and each of the other Loan Documents (i) has been duly and validly executed and delivered by an Authorized Officer on behalf of the Company, to the extent it is a party thereto, and (ii) constitutes the legal, valid, and binding obligations of the Company, to the extent it is a party thereto, enforceable against the Company in accordance with its terms except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, or similar laws or equitable principles affecting creditors' rights generally.

(c) There exist no claims, deductions, defenses, or set-offs of any nature against any amount due or to become due under any Note or other Loan Document.

5.5 Historical Financial Statements; Solvency. The Company has delivered to CoBank copies of the audited consolidated and consolidating, as applicable, year-end financial statements of PEI for and as of the end of the fiscal year ended December 31, 2015, together with copies of the unaudited consolidated and consolidating, as applicable, interim financial statements of PEI for the quarter ended September 30, 2016 (all such annual and interim statements being collectively referred to as the "**Statements**"). The Statements were compiled from the books and records maintained by PEI, are correct and complete and fairly represent the consolidated financial condition of PEI as of the respective dates thereof and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied, subject (in the case of the interim statements) to normal year end audit adjustments. The assumptions constituting the basis on which the Company prepared the budgets and projections provided to CoBank and developed the numbers set forth therein were developed in good faith, based on all information known to the Company at such time, including without limitation the JV Agreement and Closing Documents, the representations and warranties contained therein and the Schedules attached thereto, it being understood that such budgets and projections are subject to inherent uncertainties and do not constitute a guaranty of future performance. Before and after giving effect to the Loans and any Letter of Credit made or issued by CoBank hereunder and under each Note, each of PAL, AE and AW is solvent.

5.6 **Litigation.** There are no actions, suits, proceedings, or investigations pending or, to the knowledge of the Company, threatened, against the Company or any Subsidiary of the Company at law or in equity which individually or in the aggregate may result in any Material Adverse Change. Neither the Company nor any Subsidiary of the Company is in violation of any order, writ, injunction, or decree of any Official Body which may result in any Material Adverse Change.

5.7 **Taxes.** All federal, state, local, and other tax returns required to have been filed with respect to the Company and its Subsidiaries have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments, and other governmental charges which have or may become due pursuant to said returns or to assessments received, except to the extent that such taxes, fees, assessments, or other governmental charges are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made.

5.8 **Margin Stock.** No part of the proceeds of any Loan or Letter of Credit made or issued by CoBank has been or will be used, whether directly or indirectly, for any purpose that has resulted or will result in a violation of Regulation U or X of the Board of Governors of the Federal Reserve System.

5.9 **No Conflict; Etc.** The execution, delivery, or performance of any Loan Document by the Company will not conflict with, constitute a default under or result in any breach of (a) the terms and conditions of any certificate or articles of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement, or other Organizational Documents of the Company or (b) any Law or any material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or to which it is subject, or result in the creation or enforcement of any Lien whatsoever upon any property (now or hereafter acquired) of the Company or any of its Subsidiaries (other than Liens granted under the Loan Documents). There is no default under any such material agreement (referred to above) and neither the Company nor any Subsidiary of the Company is bound by any contractual obligation, or subject to any restriction in any Organizational Document, or any requirement of Law which could result in a Material Adverse Change. No consent, approval, exemption, order, or authorization of, or registration or filing with, any Official Body or any other Person is required by any Law or any agreement or Organizational Document in connection with the execution, delivery, or performance of any Loan Document. The proceeds of each Loan and Letter of Credit provided by CoBank shall be used for the purposes set forth in the applicable Note and as permitted by applicable Law.

5.10 **Full Disclosure; Application is True and Correct.** No Loan Document nor any other certificate, statement, agreement, or document furnished to CoBank in connection with this Agreement or any other Loan Document contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading. The Company is not aware of any Material Adverse Change which has not been disclosed in writing to CoBank. All representations and warranties set forth in the New Borrower Application for Credit (Cooperatives) given at any time and from time to time by the Company to CoBank are and remain true and correct in all material respects, except to the extent corrected or supplemented by this Agreement and the Schedules hereto.

5.11 **Insurance.**

(a) The properties of the Company and of each of its Subsidiaries are insured pursuant to policies and other bonds that are valid and in full force and effect and that provide coverage meeting the requirements of Section 6.6.

(b) The Company, to the extent required under the Flood Laws, has obtained flood insurance for such structures and contents constituting Collateral located in a flood hazard zone pursuant to policies that are valid and in full force and effect and which provide coverage meeting the requirements of Section 6.6.

5.12 **Environmental Matters.**

(a) The facilities and properties currently or formerly owned, leased or operated by the Company (the "**Properties**") do not contain any Hazardous Materials attributable to the Company's ownership, lease or operation of the Properties in amounts or concentrations or stored or utilized which (i) constitute or constituted a violation of Environmental Laws, or (ii) could reasonably be expected to give rise to any Environmental Liability;

(b) The Company has not received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to their activities at any of the Properties or the business operated by the Company (the "**Business**"), or any prior business for which the Company has retained liability under any Environmental Law;

(c) Hazardous Materials have not been transported or disposed of from the Properties in violation of, or in a manner or to a location which could reasonably be expected to give rise to any Environmental Liability for the Company, nor have any Hazardous Materials been generated, treated, stored or disposed of by or on behalf of the Company at, on or under any of the Properties in violation of Environmental Laws, or in a manner that could reasonably be expected to give rise to, Environmental Liability; and

(d) The Company and each of its Subsidiaries is and has been in compliance with applicable Environmental Laws.

(e) The representations and warranties set forth in this Section 5.12 are qualified in their entirety by reference to the Phase 1 environmental assessments, notices and letters delivered by the Company to CoBank with respect to the Real Property Collateral and the matters set forth on Schedule 5.12(e).

5.13 **ERISA.**

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state Laws. The Company and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Plan has any unfunded pension liability (i.e. excess of benefit liabilities over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Plan for the applicable plan year); (iii) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any material liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any material liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

ARTICLE 6 Affirmative Covenants. The Company covenants and agrees that until Payment In Full, the Company shall be in compliance at all times with the following covenants:

6.1 **Reporting Requirements.** The Company shall furnish or cause to be furnished to CoBank:

(a) **Monthly Financial Statements of the Company**. As soon as available and in any event within thirty (30) days after the end of each month, financial statements of the Company and its Consolidated Subsidiaries, if any, consisting of a consolidated balance sheet as of the end of each such month and related consolidated statements of income for the month then ended and the fiscal year through that date, and such other interim statements as CoBank may specifically request, all in reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President, Chief Financial Officer, Controller or comparable Authorized Officer of the Company as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year.

(b) **Annual Financial Statements of the Company**. As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Company, financial statements of the Company and its Consolidated Subsidiaries, if any, consisting of a consolidated balance sheet as of the end of such fiscal year, and related consolidated statements of income and cash flows for the fiscal year then ended and all notes and schedules relating thereto, all prepared in accordance with GAAP and in reasonable detail, and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and audited by independent certified public accountants of nationally-recognized or industry-accepted standing and otherwise satisfactory to CoBank. The certificate or report of accountants shall be free of qualifications, shall not indicate the occurrence or existence of any event, condition or contingency which would materially impair the prospect of payment or performance of any covenant, agreement, or duty of the Company under any of the Loan Documents and shall otherwise be satisfactory to CoBank.

(c) **Certificate of the Company**. Together with each set of financial statements furnished to CoBank pursuant to clauses (a) and (b) directly above, a certificate of the Company, substantially in the form of Exhibit C hereto and otherwise in form and content acceptable to CoBank, signed by an Authorized Officer (i) setting forth calculations showing compliance with each of the financial covenants set forth in Article 8 as of the end of the period for which such statements are being furnished and (ii) certifying that no Event of Default or Default has occurred during the period covered by such financial statements or, if an Event of Default or Default has occurred, a description thereof and all actions taken or to be taken to remedy same (a "**Compliance Certificate**").

(d) **Financial Projections of the Company**. As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Company, financial projections of the Company for the then current fiscal year, together with an explanation of the assumptions used to forecast such financial projections.

(e) **Quarterly Financial Statements of the Guarantors**. As soon as available and in any event within forty-five (45) days after the end of each fiscal quarter of each Guarantor, financial statements of each such Guarantor, consisting of a consolidated and consolidating (if applicable) balance sheet as of the end of each such fiscal quarter and related consolidated and consolidating (if applicable) statements of income for the fiscal quarter then ended and the fiscal year through that date, and such other interim statements as CoBank may specifically request, all in reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President, Chief Financial Officer, Controller or comparable Authorized Officer of each such Guarantor as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year. To the extent any Guarantor files periodic reports with the Securities and Exchange Commission via its EDGAR system, the filing of a Form 10-Q by such Guarantor within forty-five (45) days after the end of the applicable fiscal quarter of such Guarantor shall be deemed to constitute delivery of the financial statements of such Guarantor to CoBank with respect to such fiscal quarter, as required under this paragraph.

(f) **Annual Financial Statements of the Guarantors**. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of each Guarantor, financial statements of each such Guarantor, consisting of a consolidated and consolidating (if applicable) balance sheet as of the end of such fiscal year, and related consolidated and consolidating (if applicable) statements of income and cash flows for the fiscal year then ended and all notes and schedules relating thereto, all prepared in accordance with GAAP and in reasonable detail, and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and audited by independent certified public accountants of nationally-recognized or industry-accepted standing and otherwise satisfactory to CoBank. The certificate or report of accountants shall be free of qualifications, shall not indicate the occurrence or existence of any event, condition or contingency which would materially impair the prospect of payment or performance of any covenant, agreement, or duty of each such Guarantor under any of the Loan Documents and shall otherwise be satisfactory to CoBank. To the extent any Guarantor files periodic reports with the Securities and Exchange Commission via its EDGAR system, the filing of a Form 10-K by such Guarantor within one hundred twenty (120) days after the end of the applicable fiscal year of such Guarantor shall be deemed to constitute delivery of the financial statements of such Guarantor to CoBank with respect to such fiscal year, as required under this paragraph.

(g) **Notices**.

(i) **Material Adverse Change; Default**. Promptly after any officer of the Company has learned of the occurrence of a Material Adverse Change or an Event of Default or Default, notice of such Material Adverse Change or Event of Default or Default and the action which the Company proposes to take with respect thereto.

(ii) **Litigation**. Promptly after the commencement thereof, notice of all actions, suits, proceedings, or investigations before or by any Official Body or any other Person against the Company or any Subsidiary of the Company which, if adversely determined, could constitute an Event of Default, Default, or Material Adverse Change.

(iii) **Environmental Litigation, Etc**. Promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or any other communication alleging a condition that may require the Company or any Subsidiary to undertake or to contribute to a cleanup or other response under Environmental Laws, or which seeks penalties, damages, injunctive relief, or criminal sanctions related to alleged material violations of such Environmental Laws, or which claim personal injury or property damage to any person as a result of Hazardous Materials.

(iv) **Erroneous Financial Information**. Immediately in the event that any Loan Party or its accountants conclude or advise that any previously issued financial statement, audit report, or interim review should no longer be relied upon or that disclosure should be made or action should be taken to prevent future reliance, notice of the same.

(v) **Ethanol or Distillers Grain Marketers**. Promptly after the occurrence thereof, notice of (A) any change in the marketers used by the Company for ethanol or distillers grain and (B) the entry into any agreement or other contract, or any material amendment, restatement or other modification thereof, by the Company related to the marketing of ethanol or distillers grain, together with a duly executed copy thereof.

(vi) **ERISA Event**. Immediately upon the occurrence of any ERISA Event, notice of the same.

(vii) **Other Reports**. Promptly upon their becoming available to the Company (but in any event within the time period (if any) specified therefor below):

(1) **Management Letters**. Any reports including management letters submitted to the Company by independent accountants in connection with any annual, interim, or special audit, to be supplied not later than 30 days after receipt by the Company thereof; and

(2) **SEC Reports; Shareholder Communications**. To the extent the Company is or becomes an SEC reporting company, public reports, including Forms 10-K, 10-Q and 8-K, registration statements and prospectuses and other shareholder communications, filed by the Company with the SEC to be supplied not later than 30 days after the date of such filing (provided that separate delivery shall not be required to the extent the same is publicly filed on the SEC's EDGAR system); and

(3) **Other Information**. Such other reports and information as CoBank may from time to time reasonably request.

6.2 **CoBank Equity; Patronage; Statutory Lien.**

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

(b) **Patronage**. The Company acknowledges that CoBank's Bylaws and Capital Plan (as each may be amended from time to time) shall govern (x) the rights and obligations of the parties with respect to the CoBank Equities and any patronage refunds or other distributions made on account thereof or on account of the Company's patronage with CoBank, (y) the Company's eligibility for patronage distributions from CoBank (in the form of CoBank Equities and cash) and (z) patronage distributions, if any, in the event of a sale by CoBank of a participation interest in the Loans and other financial accommodations made hereunder. CoBank 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 CoBank has a statutory first Lien pursuant to the Farm Credit Act of 1971, as amended from time to time, on all CoBank Equities that the Company may now own or hereafter acquire, which statutory Lien shall secure the Obligations due to CoBank and be for CoBank's sole and exclusive benefit. The CoBank Equities shall not constitute security for obligations due to any other lender or participant hereunder (other than a Subsidiary or Affiliate of CoBank). To the extent that any of the Loan Documents creates a Lien on the CoBank Equities or on patronage accrued by CoBank for the account of the Company (including, in each case, proceeds thereof), such Lien shall be for CoBank'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 CoBank to the extent any Obligations are owing by the Company to any of them). Neither the CoBank Equities nor any accrued patronage shall be offset against the Obligations except that, in the event of an Event of Default, CoBank may elect to apply the cash portion of any patronage distribution or retirement of CoBank Equities to amounts due to CoBank under this Agreement. The Company acknowledges that any corresponding tax liability associated with such application is the sole responsibility of the Company. CoBank shall have no obligation to retire the CoBank Equities upon any Event of Default, Default, or any other breach or default by the Company, or at any other time, either for application to the Obligations or otherwise.

6.3 **Collateral Security.** Payment and performance of the Obligations shall be secured by first priority perfected Liens on all personal property of the Company (the "**Personal Property Collateral**") and by a first priority recorded Lien on all real property and improvements of the Company, including the fee estate of the Company in the real property and improvements described in Annex B to this Agreement (the "**Real Property Collateral**"), in each case, whether now owned or hereafter acquired (the Personal Property Collateral and the Real Property Collateral are collectively referred to as the "**Collateral**"), subject only to Permitted Liens or other exceptions approved in writing by CoBank. Prior to or substantially contemporaneously with the date of this Agreement and at such other times as CoBank may request (including each time the Company acquires any real property or any personal property not already subject to the Lien required herein), the Company shall execute and deliver to CoBank such security agreements, pledge agreements, assignments, mortgages, deeds of trust, and other documents and agreements requested by CoBank for the purpose of creating, perfecting, and maintaining a perfected Lien on the Collateral, subject only to Permitted Liens or other exceptions approved in writing by CoBank. The Company hereby authorizes CoBank to file such Uniform Commercial Code financing statements as CoBank reasonably determines are necessary or advisable to perfect the security interests in and Liens on the Collateral.

6.4 **Preservation of Existence; Eligibility to Borrow; Etc.** Except as expressly permitted by Section 7.5 or Section 7.6, the Company shall, and shall cause each of its Subsidiaries to, (a) maintain its legal existence in the form in which it exists as of the date of this Agreement in its jurisdiction of organization, and its qualification and good standing in each jurisdiction where such qualification is required; and (b) obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or required by Law. The Company shall, at all times, be an entity eligible to borrow from CoBank and shall comply in all material respects with the provisions of its Organizational Documents and any patron or member investment program it may have.

6.5 **Payment of Liabilities; Including Taxes; Etc.** The Company shall, and shall cause each of its Subsidiaries to, duly pay and discharge all liabilities to which it is subject or which are asserted against it, promptly as and when the same shall become due and payable, including all Taxes, assessments, and governmental charges upon it or any of its properties, assets, income or profits, prior to the date on which penalties attach thereto, except to the extent that any such liabilities are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made and provided further that such proceedings shall operate to stay levy and execution on any Collateral.

6.6 **Maintenance of Insurance.**

(a) The Company shall, and shall cause each of its Subsidiaries to, insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability and business interruption insurance) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers, including self-insurance to the extent customary, all as reasonably determined by CoBank. Such insurance policies shall contain additional insured, mortgagee and lender loss payable special endorsements in form and substance satisfactory to CoBank naming CoBank additional insured, mortgagee and lender loss payee, as applicable, and providing CoBank with notice of cancellation acceptable to CoBank.

(b) The Company shall, to the extent required under the Flood Laws, obtain and maintain flood insurance for such structures and contents constituting Collateral located in a flood hazard zone, in such amounts as similar structures and contents are insured by prudent companies in similar circumstances carrying on similar businesses and otherwise reasonably satisfactory to CoBank. If the Company fails to obtain and maintain, at any time, such flood insurance, CoBank may, in its sole discretion, obtain such flood insurance on behalf of the Company on such Collateral at the Company's cost and expense.

6.7 **Maintenance of Properties.** The Company shall, and shall cause each of its Subsidiaries to, maintain in good repair, working order, and condition (ordinary wear and tear excepted), all of those properties (regardless whether owned or leased) useful or necessary to its business.

6.8 **Visitation and Inspection Rights.** The Company shall, and shall cause each of its Subsidiaries to, permit any of the officers or authorized employees or representatives of CoBank and its participants to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances, and accounts with its officers, employees, directors, and accountants, all in such detail and at such times and as often as CoBank and its participants may reasonably request, provided that until the occurrence of an Event of Default or Default, CoBank shall provide the Company with reasonable notice prior to any visit or inspection. The Company will permit CoBank or its agents to conduct on an annual basis a review of the Collateral, and the Company shall pay to CoBank a reasonable collateral inspection fee designated by CoBank and reimburse CoBank for all reasonable costs and expenses incurred by CoBank in connection therewith. Upon the occurrence of an Event of Default or Default, CoBank and its agents may conduct such collateral inspection reviews at any time and from time to time and the Company shall owe such collateral inspection fee and reimbursement obligation to CoBank in connection with each such collateral inspection.

6.9 **Keeping of Records and Books of Account.** The Company shall, and shall cause each of its Subsidiaries to, maintain and keep proper books of record and account in accordance with GAAP and as otherwise required by applicable Law, and in which full, true and correct entries shall be made.

6.10 **Compliance with Laws; Use of Proceeds.** The Company shall, and shall cause each of its Subsidiaries and all Persons occupying or present on its or their property, to, comply with all applicable Laws, including all Environmental Laws, in all material respects. The Company shall, and shall cause each of its Subsidiaries to, use the proceeds of the Loans and any Letter of Credit only for the purposes set forth in the applicable Note and as permitted by applicable Law.

6.11 **Updates to Schedules.** Should any of the information or disclosures provided on any of the Schedules hereto become outdated or incorrect in any material respect, the Company shall promptly provide CoBank in writing with such revisions or updates to such Schedule as may be necessary or appropriate to update or correct the same. No Schedule shall be deemed to have been amended, modified, or superseded by any such correction or update, nor shall any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule be deemed to have been cured thereby, unless and until CoBank, in its sole and absolute discretion, shall have accepted in writing such revisions or updates to such Schedule; provided, however, that the Company may update Schedule 5.2 without any approval by CoBank in connection with any liquidation, disposition, formation, merger, or acquisition of a Subsidiary permitted under this Agreement.

6.12 **Additional Items.** The Company shall provide CoBank with each of the following (which, in the case of instruments and documents, must (unless otherwise stated below) be originals, duly executed, and in form and substance satisfactory to CoBank), on or before the date indicated:

(a) The Title Policy, on or before March 1, 2017;

(b) An executed collateral assignment, subordination agreement or other similar agreement from the Persons party to any agreement with the Company set forth on the attached Schedule 6.12(b), on or before March 1, 2017;

(c) A control agreement in respect of each Brokerage Account maintained by the Company, in each case properly executed on behalf of each of the parties thereto, on or before March 1, 2017;

(d) As-filed copies of any certificates of merger and supporting documentation evidencing the merger of AE and/or AW with and into PAL, within five (5) days after the same is filed with the Delaware Secretary of State;

(e) Copies of the following: that certain Access Easement Agreement executed by ACE with respect to access across Lot 4 of the Real Property Collateral; that certain Termination and Release of Easements; the lot line adjustment approval by the City of Aurora as requested by that certain Outer Track Easement and Use Agreement; and that certain Outer Track Easement and Use Agreement, in each case, on or before March 1, 2017;

(f) Copies of any other easement or use agreements (or amendments, modifications or restatements of any such existing agreements) between ACE and/or its Affiliates and the Company and/or its Affiliates which are entered into after the date hereof, in each case, within five (5) days after the same is executed;

(g) An updated survey of the Real Property Collateral which is consolidated for the adjoining properties of the Company and otherwise complies with the survey requirement under Section 4.1(a)(x), on or before March 1, 2017;

(h) Such endorsements to the Title Policy as CoBank may request reflecting completion of the additional items set forth in this Section 6.12, on or before March 1, 2017; and

(i) Payment of all fees and expenses of CoBank, if any, as required by this Agreement or any other Loan Document, on or before March 1, 2017.

6.13 **Further Assurances.** The Company shall from time to time, at its expense, do such other acts and things as CoBank in its reasonable discretion may deem necessary or advisable from time to time in order to more fully carry out the provisions and purpose of this Agreement and the other Loan Documents including, but not limited to, execution and delivery of collateral assignments, subordination agreements, control agreements, subordination, non-disturbance and attornment agreements and other similar agreements.

ARTICLE 7 Negative Covenants. The Company covenants and agrees that until Payment In Full, the Company shall be in compliance at all times with the following covenants:

7.1 **Indebtedness.** The Company shall not, and shall not permit any Subsidiary to, at any time create, incur, assume or suffer to exist any Indebtedness, except for the following referred to as "**Permitted Indebtedness**":

(a) Indebtedness of the Company under the Loan Documents;

(b) Indebtedness owing from PAL, AE or AW to PAL, AE or AW.

(c) Any Interest Rate Hedge utilized solely for hedging interest rate risks (and not in any event for speculative purposes) provided by CoBank;

(d) Capital Leases of the Company existing as of the date hereof through December 31, 2017 in an aggregate principal amount outstanding at any time not to exceed $3,800,000;

(e) Other Indebtedness of the Company not otherwise permitted under this Section 7.1 in an aggregate principal amount outstanding at any time not to exceed $1,000,000; provided, that the terms thereof are acceptable to CoBank in its sole discretion;

(f) Capital Leases entered into with Farm Credit Leasing Services Corporation; and

(g) Future advances by either of the Current Members to PAL; provided, that any such Indebtedness is (i) approved by CoBank in writing and (ii) subordinated to the Obligations pursuant to subordination terms and conditions approved by CoBank.

7.2 **Liens.** The Company shall not, and shall not permit any Subsidiary to, at any time create, incur, assume, or suffer to exist any Liens on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except for the following referred to collectively as "**Permitted Liens**":

(a) Liens for Taxes incurred that are not yet due and payable and for which adequate reserves have been established;

(b) Pledges or deposits made in the ordinary course of business to secure payment of workmen's compensation, or to participate in any fund in connection with workmen's compensation, unemployment insurance, old-age pensions or other social security programs, and good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business, and Liens of a collecting bank arising in the ordinary course of business under Section 4-210 of the Uniform Commercial Code in effect in the relevant jurisdiction covering only the items being collected upon;

(c) Liens of mechanics, material suppliers, warehouses, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and payable and Liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default and for which adequate reserves have been established;

(d) Encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(e) Liens in favor of CoBank or any of its Affiliates securing any of the Obligations;

(f) Liens securing the Indebtedness permitted under Section 7.1(d);

(g) Liens securing the Indebtedness permitted under Section 7.1(e);

(h) CoBank's statutory Lien in the CoBank Equities;

(i) Liens, claims, or encumbrances upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits (y) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed or (z) if a final judgment is entered and such judgment is discharged within thirty (30) days of entry, and in either case they do not affect the Collateral or, in the aggregate, materially impair the ability of the Company to perform its Obligations hereunder or under the other Loan Documents; and

(j) Liens securing the Indebtedness permitted under Section 7.1(f).

7.3 **Guaranties.** The Company shall not, and shall not permit any Subsidiary to, at any time, directly or indirectly, become or be liable in respect of any obligation guarantying or in effect guarantying any liability or obligation of any other Person in any manner, whether directly or indirectly, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business, or assume, guaranty, become surety for, endorse or otherwise agree, become or remain directly or contingently liable upon or with respect to any obligation or liability of any other Person.

7.4 **Loans and Investments.** The Company shall not, and shall not permit any Subsidiary to, at any time make or suffer to exist any investments or capital contributions in, or other transfers of assets to, or loans, advances or other extensions of credit to any other Person, except: (a) trade credit extended on usual and customary terms in the ordinary course of business; (b) advance payments or deposits against purchases made in the ordinary course of business; (c) direct obligations of the United States of America; (d) temporary advances to employees to meet expenses incurred in the ordinary course of business; (e) the CoBank Equities and any other stock or securities of, or investments in, CoBank or its investment services or programs; and (f) loans and advances from PAL, AE or AW to PAL, AE or AW.

7.5 **Liquidations; Mergers; Consolidations; Acquisitions.** The Company shall not, and shall not permit any Subsidiary to, dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or a material portion of the assets or capital stock of any other Person, except the merger of AE and / or AW with and into PAL.

7.6 **Dispositions of Assets or Subsidiaries.** The Company shall not, and shall not permit any Subsidiary to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests or limited liability company interests of a Subsidiary), except for transactions in the ordinary course of business.

7.7 **Dividends and Related Distributions.** The Company shall not, and shall not permit any of its Subsidiaries to, make or pay, or agree to become or remain liable to make or pay, any dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its shares of capital stock, partnership interests or limited liability company interests or on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor), partnership interests or limited liability company interests, except (a) an annual dividend or other distribution payable by PAL to its members with respect to any fiscal year of the Company ending on or after December 31, 2017; provided that (i) the amount of such dividend or other distribution does not exceed 40% of the net income of the Consolidated Group for such fiscal year, (ii) the Company has delivered its audited financial statements for such fiscal year to CoBank in accordance with Section 6.1(b), (iii) such annual dividend or other distribution is made prior to the April 30th first occurring after the end of such fiscal year, (iv) the Working Capital of the Consolidated Group was $24,000,000 or more as of the last day of such fiscal year before any such annual dividend or other distribution was proposed to be made pursuant to this Section 7.7, would have been $24,000,000 or more as of the last day of such fiscal year after giving pro forma effect to the making of any such annual dividend or other distribution pursuant to this Section 7.7 as of the last day of such fiscal year and will be $24,000,000 or more immediately after any such annual dividend or other distribution is actually made pursuant to this Section 7.7 and (v) no Event of Default or Default has occurred or would result therefrom; (b) periodic dividends or other distributions payable by PAL to its members after December 31, 2017; provided that (i) the Working Capital of the Consolidated Group was $30,000,000 or more as of the last day of the most recently-reported calendar month before any such periodic dividend or other distribution was proposed to be made pursuant to this Section 7.7, would have been $30,000,000 or more as of the last day of such calendar month after giving pro forma effect to the making of any such periodic dividend or other distribution pursuant to this Section 7.7 as of the last day of such calendar month and will be $30,000,000 or more immediately after any such periodic dividend or other distribution is actually made pursuant to this Section 7.7 and (ii) no Event of Default or Default has occurred or would result therefrom; and (c) dividends or other distributions payable by AE or AW to PAL.

7.8 **Affiliate Transactions.** The Company shall not, and shall not permit any Subsidiary to, enter into or carry out any transaction with any Affiliate unless such transaction is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and conditions and is in accordance with all applicable Law.

7.9 **Subsidiaries; Partnerships; and Joint Ventures.** The Company shall not, and shall not permit any Subsidiary to, own or create directly or indirectly any domestic Subsidiary (other than the ownership of AE and AW by PAL). Without the prior written consent of CoBank, the Company shall not become or agree to become a party to a joint venture and the Company shall not own any Subsidiary organized under the laws of a foreign nation or political subdivision thereof.

7.10 **Continuation of or Change in Business.** The Company shall not, and shall not permit any of its Subsidiaries to, engage in any business other than the business substantially as conducted and operated by the Company or any Subsidiary of the Company on the date hereof or as presently proposed to be conducted.

7.11 **Fiscal Year.** The Company shall not, and shall not permit any Subsidiary of the Company to, change its fiscal year from that which is in effect on the date hereof.

7.12 **Issuance of Stock.** The Company shall not, and shall not permit any of its Subsidiaries to, issue any additional membership interests or shares of its capital stock or any options, warrants or other rights in respect thereof except as may be required by Law or its Organizational Documents as in effect as of the date of this Agreement.

7.13 **Changes in Organizational Documents or Risk Management Policy of the Company.** The Company shall not, and shall not permit any of its Subsidiaries to, amend in any material respect its Organizational Documents or Risk Management Policy of the Company without providing at least thirty (30) calendar days' prior written notice to CoBank (together with copies of any such proposed amendment) and, in the event such change could be adverse to CoBank as determined in its sole discretion, obtaining the prior written consent of CoBank. The Company shall take such actions as CoBank may reasonably request to protect the Lien of CoBank in the Collateral or otherwise to protect the interests of CoBank as a lender hereunder, as a result in either case of any change in an Organizational Document or the Risk Management Policy of the Company.

7.14 **Anti-Terrorism Laws.** Neither the Company nor any Subsidiary shall be (a) a Person with whom CoBank is restricted from doing business under Executive Order No. 13224 or any other Anti-Terrorism Law, (b) engaged in any business involved in making or receiving any contribution of funds, goods or services to or for the benefit of such a Person or in any transaction that evades or avoids, or has the purpose of evading or avoiding, the prohibitions set forth in any Anti-Terrorism Law, or (c) otherwise in violation of any Anti-Terrorism Law. The Company shall provide to CoBank any certifications or information that CoBank requests to confirm compliance by the Company and its Subsidiaries with any Anti-Terrorism Law.

7.15 **Rail Car Leases.** The Company and its Subsidiaries shall not enter into or otherwise become a party to any Operating Leases or Capital Leases for rail cars, other than (a) Operating Leases or Capital Leases for up to 300 rail cars which provide for a lease term (whether initially or through extension) of 85 months or more and (b) Operating Leases or Capital Leases for any number of rail cars which provide for a lease term (whether initially or through extension) of less than 85 months.

7.16 **Operating Leases.** The Company and its Subsidiaries shall not make any payments in any fiscal year on account of Operating Leases (other than any such leases for rail cars and such leases with Farm Credit Leasing Services Corporation) exceeding $300,000 in the aggregate.

7.17 **Repurchase Agreements.** The Company shall not, and it shall not cause or permit any Subsidiary to, enter into or be a party to any Repurchase Agreement.

ARTICLE 8 Financial Covenants.

8.1 **Working Capital.** The Company will maintain the Working Capital of the Consolidated Group at not less than: (a) $22,500,000, commencing on the Closing Date and continuing at all times thereafter through June 29, 2017, measured as of the last day of each calendar month; and (b) $24,000,000, commencing on June 30, 2017 and continuing at all times thereafter, measured as of the last day of each calendar month.

8.2 **Debt Service Coverage Ratio.** The Company will not permit the Debt Service Coverage Ratio of the Consolidated Group to be less than 1.50 to 1.00, measured as of the last day of each fiscal year of the Company, commencing on the fiscal year ending on December 31, 2017.

ARTICLE 9 Default.

9.1 **Events of Default.** An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary, or effected by operation of Law) (each an "**Event of Default**"):

(a) **Payments Under Loan Documents**. Any Loan Party shall fail to pay any scheduled principal, interest, fee, or other amount owing hereunder or under any other Loan Document when due, whether by acceleration or otherwise, should fail to pay any unscheduled amount owing hereunder or under any other Loan Document within five (5) days after receipt of written notice from CoBank, or should fail to purchase the CoBank Equities as and when required by CoBank's Bylaws and Capital Plan or those of its parent association.

(b) **Breach of Representation or Warranty**. Any representation or warranty made or deemed made at any time by any Loan Party herein or in any other Loan Document shall be false or misleading in any material respect as of the time it was made or deemed made.

(c) **Breach of Negative Covenants or Certain Affirmative Covenants**. The Company shall default in the observance or performance of Article 7, Article 8, Sections 6.2, 6.8 or 6.10 or any other covenant pertaining to compliance with Laws or use of proceeds; provided, that a default under Section 8.1 shall not constitute an Event of Default hereunder unless and until PEI and / or ACE fails to make the capital contribution required under the Working Capital Maintenance Agreement (within the time period permitted under the Working Capital Management Agreement).

(d) **Breach of Other Covenants**. Any Loan Party shall default in the observance or performance of any other covenant, condition, or provision hereof or of any other Loan Document or of any other agreement or instrument between any Loan Party and CoBank or any Affiliate of CoBank, and such default shall remain unremedied after the expiration of the applicable grace period or, if there is no such applicable grace period, for a period of thirty (30) days.

(e) **Defaults in Indebtedness to Other Lenders**. A default or event of default shall occur at any time under the terms of any other Indebtedness in an aggregate principal amount of $250,000 or more under which the Company or any Subsidiary of the Company may be obligated (including as a borrower or guarantor), and such breach, default, or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any Indebtedness when due (whether at stated maturity, by acceleration, or otherwise) or if such breach or default permits or causes the acceleration of any Indebtedness (whether or not such right shall have been exercised or waived) or the termination of any commitment to lend.

(f) **Final Judgments or Orders**. Any final judgments or orders for the payment of money shall be entered against the Company by a court having jurisdiction in the premises, in an aggregate amount in excess of $500,000, which judgment is not discharged, vacated, bonded, or stayed pending appeal within thirty (30) days after the entry of such final judgment; or the Company's or any of its Subsidiaries' assets valued in an aggregate amount in excess of $500,000 are attached, seized, levied upon or subjected to a writ or distress warrant; or such come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors.

(g) **Loan Document Unenforceable**. Any of the Loan Documents shall cease to be legal, valid, and binding agreements enforceable against the applicable Loan Parties or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or CoBank fails to have an enforceable first priority Lien (subject only to Permitted Liens) on or security interest in any Collateral given as security for any of the Obligations.

(h) **Uninsured Losses**. There shall occur any uninsured damage to or loss, theft, or destruction of any Collateral for any of the Obligations valued in an aggregate amount in excess of $500,000; unless, within ten (10) Business Days of such damage, loss, theft or destruction, the Company deposits with CoBank such amount as CoBank, in its sole discretion, determines is necessary to correct or remedy the damage, loss, theft or destruction.

(i) **Events Relating to Plans and Benefit Arrangements**. (i) An ERISA Event occurs with respect to a Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $500,000, or (ii) the Company or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $500,000.

(j) **Change of Control**. There shall occur any Change of Control with respect to the Company.

(k) **Material Adverse Change**. There shall occur any Material Adverse Change with respect to the Company.

(l) **Relief Proceedings**. (i) Any proceeding seeking a decree or order for relief in respect of any Loan Party or any Subsidiary of the Company in a voluntary or involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or any Subsidiary of the Company for any material part of its property, or for the winding-up or liquidation of its affairs, or an assignment for the benefit of its creditors (each a "**Relief Proceeding**") shall have been instituted against any Loan Party or any Subsidiary of the Company and, in the case of any involuntary proceeding, such Relief Proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days, or such court shall enter a decree or order granting any of the relief sought in such Relief Proceeding, (ii) any Loan Party or any Subsidiary of the Company institutes, or takes any action in furtherance of, a Relief Proceeding, or (iii) any Loan Party or any Subsidiary of the Company ceases to be solvent or admits in writing its inability to pay its debts generally as they come due or fails to pay its debts as they come due; provided, that cautionary statements and risk factor disclosures made by PEI to investors or prospective investors shall not be deemed to constitute such an admission.

(m) **Affiliate Accounts**. The Company shall fail to collect any account receivable from any Affiliate of the Company within ten (10) Business Days after such account receivable arises.

9.2 **Remedies.**

(a) **Events of Default Other Than Bankruptcy, Insolvency or Reorganization Proceedings**. If an Event of Default specified under Sections 9.1(a) through 9.1(j) shall occur and be continuing, CoBank: (i) shall be under no further obligation to extend credit hereunder or under any Note, and may discontinue doing so at any time without prior notice to the Company or other limitation; and (ii) may, in addition to any remedies allowed by any other Loan Document or Law, (A) by written notice to the Company (which may be provided by CoBank), declare the unpaid principal amount of the Obligations then outstanding and all interest accrued thereon, any unpaid fees and all other Obligations and Indebtedness of the Company to CoBank hereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to CoBank without presentment, demand, protest, or any other notice of any kind, all of which are hereby expressly waived; and (B) require the Company to, and the Company shall thereupon, deposit in a non-interest-bearing account with or as directed by CoBank, as cash collateral for its Obligations, an amount equal to such Obligations, and the Company hereby pledges to CoBank, and grants to CoBank a security interest in, all such cash as security for such Obligations and the Company shall agree to do all things as reasonably requested by CoBank in order to provide CoBank with a first priority security interest in such deposit account, including allowing the deposit to be in the name of CoBank.

(b) **Bankruptcy, Insolvency or Reorganization Proceedings**. If an Event of Default specified under Section 9.1(l) shall occur, CoBank shall be under no further obligations to extend credit hereunder or under any other Loan Document and the unpaid principal amount of the Obligations then outstanding and all interest accrued thereon, any unpaid fees and all other Obligations and Indebtedness of the Company to CoBank hereunder and thereunder shall be immediately due and payable, without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived.

(c) **Set-off**. If an Event of Default shall have occurred and be continuing, CoBank is hereby authorized at any time to the fullest extent permitted by applicable Law, to set off and apply any and all funds (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by CoBank or any Affiliate to or for the credit or the account of the Company against any and all of the Obligations of the Company now or hereafter existing under this Agreement or any other Loan Document to CoBank or such Affiliate. The rights of CoBank and its Affiliates under this Section 9.2(c) are in addition to other rights and remedies (including other rights of setoff) that CoBank or its Affiliates may have. CoBank agrees to notify the Company promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

(d) **Application of Proceeds**. From and after the date on which CoBank has taken any action pursuant to this Section 9.2 and automatically following an acceleration under Section 9.2(b), and until Payment in Full, any and all proceeds received by CoBank from any sale or other disposition of any Collateral for any of the Obligations, or any part thereof, or the exercise of any other remedy by CoBank, shall be applied as follows, to the extent permitted by applicable law:

(i) first, to reimburse CoBank for costs, expenses, and disbursements, including attorneys' and paralegals' fees and legal expenses incurred by CoBank in connection with realizing on any such Collateral or collection of any Obligations of the Company under any of the Loan Documents, including advances made by CoBank for the maintenance, preservation, protection, or enforcement of, or realization upon, any such Collateral, including advances for Taxes, insurance, repairs, and the like and expenses incurred to sell or otherwise realize on, or prepare for sale, or other realization on, any such Collateral;

(ii) second, to the repayment of all Obligations then due and unpaid of the Company to CoBank or its Affiliates incurred under this Agreement or any of the other Loan Documents or agreements (including any agreement evidencing any Interest Rate Hedge or financial services obligations provided by CoBank), whether of principal, interest, fees, premiums, surcharges, expenses or otherwise, in such manner as CoBank may determine in its sole discretion; and

(iii) the balance, if any, as required by Law.

ARTICLE 10 Miscellaneous.

10.1 **Amendments; Waivers; Severability.** NO MODIFICATION OR AMENDMENT TO ANY PROVISION OF THIS AGREEMENT SHALL BE EFFECTIVE UNLESS MADE IN WRITING IN AN AGREEMENT SIGNED BY THE COMPANY AND COBANK. No course of dealing or failure or delay of CoBank in exercising any power or right hereunder or under any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any failure to exercise or enforce such a right or power, preclude any other or further exercise thereof or any other right or power. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Company herefrom or therefrom shall in any event be effective unless made specifically in writing by CoBank and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. All rights and remedies of CoBank pursuant to this Agreement, under any other Loan Document, or under Law shall be cumulative, and no such right or remedy shall be exclusive of any other such right or remedy. The provisions of this Agreement and the other Loan Documents are intended to be severable. If any provision of this Agreement or other Loan Document shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any such jurisdiction.

10.2 **Expenses; Indemnity; Damage Waiver.**

(a) **Costs and Expenses**. The Company shall pay all costs and expenses incurred by CoBank and its Affiliates (including the reasonable fees, costs, charges and disbursements of counsel engaged or retained by CoBank) in connection with the preparation, negotiation, execution, delivery, and administration of this Agreement and the other Loan Documents or any amendments, modifications, or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), including (i) all expenses incurred by CoBank in connection with the issuance, amendment, renewal, or extension of any Letter of Credit or any demand for payment thereunder, (ii) all expenses incurred by CoBank (including the reasonable fees, costs, charges and disbursements of any counsel engaged or retained by CoBank), (a) in connection with this Agreement and the other Loan Documents, or (b) in connection with the Loans or other Obligations and (iii) notwithstanding anything to the contrary contained herein, all expenses incurred by CoBank (including the fees, costs, charges and disbursements of any counsel engaged or retained by CoBank) in connection with any workout or restructuring in respect of any such Loans or other Obligations, any enforcement of the Loan Documents or any realization on any of the Collateral or otherwise incurred by CoBank after the occurrence an Event of Default.

(b) **Indemnification by the Company**. The Company shall indemnify each of CoBank and any Affiliate thereof and each of their respective officers, directors, employees, agents, and advisors (each an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, and related expenses (including the fees, costs, charges and disbursements of any counsel engaged or retained by any Indemnitee) incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Company arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance or nonperformance by the Company of its or their respective obligations hereunder or under the other Loan Documents or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by CoBank to honor a demand for payment under any Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of the Letter of Credit), (iii) breach of representations, warranties, or covenants of the Company under any of the Loan Documents, or (iv) any actual or prospective claim, litigation, investigation, or proceeding relating to any of the foregoing, including any such items or losses relating to or arising under Environmental Laws or pertaining to environmental matters, whether based on contract, tort, or any other theory, whether brought by the Company or any third party, and regardless whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to an Indemnitee, be available to the extent that such losses, claims, damages, liabilities, or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) **Waiver of Consequential Damages, Etc**. To the fullest extent permitted by applicable Law, the Company shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit relating hereto, or the use of the proceeds thereof. To the fullest extent permitted by applicable law, no Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic, or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(d) **Payments**. All amounts due under any of this Section 10.2 shall be payable not later than ten (10) days after demand therefor.

10.3 **Holidays.** Whenever a payment to be made or taken on a Loan or Letter of Credit arising hereunder shall be due on a day which is not a Business Day, such payment shall be due on the next Business Day and such extension of time shall be included in computing interest and fees, except that such Loans and Letter of Credit payments shall be due on the Business Day preceding the expiration or maturity date thereof if such date is not a Business Day. Whenever any payment or action to be made or taken hereunder (other than payment of the Loans or any Letter of Credit arising hereunder) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall not be included in computing interest or fees, if any, in connection with such payment or action.

10.4 **Notices; Effectiveness; Electronic Communication.**

(a) **Notices Generally**. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 10.4(b)), all notices and other communications to a Person provided for herein and in the other Loan Documents shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier to it at its address set forth on such Person's signature page of this Agreement.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received. Notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, such notices shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in Section 10.4(b), shall be effective as provided in such section.

(b) **Electronic Communications**. Notices and other communications between CoBank and the Company may be made by email sent to an email address of such Person shown on such Person's signature page to this Agreement and shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement); provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient.

(c) **Change of Address, Etc**. Either party hereto may change its address, email address or telecopier number for notices and other communications hereunder by notice to the other party hereto in accordance with the terms of this Section 10.4.

10.5 **Duration; Survival.** All representations and warranties of the Company contained herein or in any other Loan Document, or made in connection herewith or therewith, shall survive the execution and delivery of this Agreement and Payment in Full. All covenants and agreements of the Company contained herein or in the Notes or in any other Loan Document relating to the payment of principal, interest, fees, premiums, additional compensation, expenses, or indemnification shall survive Payment In Full. All other covenants and agreements of the Company shall continue in full force and effect from and after the date hereof and until Payment In Full.

10.6 **Successors and Assigns; Participations.** This Agreement is entered into for the benefit of, and shall be binding upon, the parties hereto and their respective successors and assigns permitted hereby, except that the Company shall not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of CoBank. CoBank may at any time sell, assign, securitize, or grant participations in all, or a portion of, CoBank's rights and obligations under this Agreement (including all or a portion of the Obligations). No participation shall relieve CoBank of any commitment made to the Company hereunder. In connection with the foregoing, CoBank may disclose information concerning the Company and its Subsidiaries, if any, to any assignee, participant, or prospective assignee or participant, provided that such assignee, participant, or prospective assignee or participant agrees, subject to qualifications contained in Section 10.7(a)(vi), to keep such information confidential. A sale of a participation interest shall be subject to Section 6.2(b) and may include certain voting rights of the participants regarding the Loan Documents (including the administration, amendment and modification, servicing, and enforcement thereof). CoBank agrees to give written notification to the Company of any sale of a participation interest herein, provided that the failure to do so shall not adversely affect the rights of CoBank hereunder or under any other Loan Document.

10.7 **Confidentiality.**

(a) **General**. CoBank agrees to maintain the confidentiality of the information received from the Company or any of its Subsidiaries relating to the respective businesses of the Company or any of its Subsidiaries, other than any such information that is available to CoBank on a non-confidential basis prior to disclosure by the Company or any of its Subsidiaries and other than any information received from the Company or any of its Subsidiaries after the date of this Agreement which is not clearly identified at the time of delivery as confidential, except that any information received from the Company or any of its Subsidiaries may be disclosed (i) to CoBank's Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information (to the extent so provided for herein) and instructed to keep such information confidential), (ii) to any regulatory authority having or purporting to have jurisdiction over CoBank, (iii) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (iv) to any other party hereto, (v) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section 10.7(a), to (A) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or any other Loan Document, or (B) any actual or prospective counterparty (or its advisors) to any Interest Rate Hedge or other swap or derivative transaction relating to the Company and its obligations, (vii) with the consent of the Company or (viii) to the extent any such information (Y) becomes publicly available other than as a result of a breach of this Section 10.7(a) or (Z) becomes available to CoBank or any of its Affiliates on a non-confidential basis from a source other than the Company. Any Person required to maintain the confidentiality of any Information as provided in this Section 10.7(a) shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such information as such Person would accord to its own confidential information.

(b) **Sharing Information With Affiliates of CoBank**. The Company acknowledges that from time to time financial advisory, investment banking, and other services may be offered or provided to the Company or one or more of its Affiliates (in connection with this Agreement or otherwise) by CoBank or by one or more of its Affiliates, and the Company authorizes CoBank to share any information delivered to CoBank by the Company and its Subsidiaries pursuant to this Agreement to any such Affiliate of CoBank subject to the provisions of Section 10.7(a).

10.8 **Counterparts; Integration; 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 and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof including any prior confidentiality agreements and commitments. Except as provided in ARTICLE 4, this Agreement shall become effective when it shall have been executed by CoBank and when CoBank 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, 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 CoBank hereunder whatsoever).

10.9 **Governing Law.** This Agreement shall be deemed to be a contract under the Laws of the State of Colorado without regard to its conflict of laws principles.

10.10 **SUBMISSION TO JURISDICTION; SERVICE OF PROCESS; VENUE; WAIVER OF JURY TRIAL.** THE COMPANY HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN DENVER, COLORADO, AND CONSENTS THAT COBANK MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT THE COMPANY'S ADDRESS SET FORTH HEREIN FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS AGREEMENT WILL PREVENT COBANK FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST THE COMPANY INDIVIDUALLY, AGAINST ANY COLLATERAL OR AGAINST ANY PROPERTY OF THE COMPANY WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION. THE COMPANY ACKNOWLEDGES AND AGREES THAT THE VENUE PROVIDED ABOVE IS THE MOST CONVENIENT FORUM FOR THE COMPANY AND COBANK. THE COMPANY WAIVES ANY OBJECTION TO VENUE AND ANY OBJECTION BASED ON A MORE CONVENIENT FORUM IN ANY ACTION INSTITUTED UNDER THIS AGREEMENT. THE COMPANY AND COBANK EACH HEREBY WAIVES TRIAL BY JURY IN CONNECTION WITH ANY ACTION INSTITUTED UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

10.11 **USA Patriot Act Notice.** CoBank hereby notifies the Company that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify, and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow CoBank to identify the Company in accordance with the USA Patriot Act.

10.12 **Keepwell.** To the extent either PAL, AE or AW is a Qualified ECP when its obligation with respect to, or grant of a security interest to secure, any Swap Obligation or Interest Rate Hedge becomes effective, PAL, AE and AW hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide funds or other support to PAL, AE and AW with respect to such Swap Obligation or Interest Rate Hedge as may be needed by PAL, AE and AW from time to time to honor all of its obligations under the Loan Documents in respect of such Swap Obligation or Interest Rate Hedge (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP's obligations and undertakings under this Section 10.12 voidable under any applicable fraudulent transfer or conveyance act). The obligations and undertakings of each Qualified ECP under this Section 10.12 shall remain in full force and effect until payment of all Obligations. PAL, AE and AW intend this Section 10.12 to constitute, and this Section 10.12 shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support or other agreement" for the benefit of, PAL, AE and AW for all purposes of the Commodity Exchange Act.

ARTICLE 11 Special Inter-Company Provisions.

11.1 **Certain Company Acknowledgments and Agreements.**

(a) Each of PAL, AE and AW acknowledges that it will enjoy significant benefits from the business conducted by each of PAL, AE or AW, as applicable, because of, inter alia, their combined ability to bargain with other Persons including, without limitation, their ability to receive the Facilities on favorable terms granted by this Agreement and the other Loan Documents which would not have been available individually to PAL, AE or AW acting alone. Each of PAL, AE and AW has determined that it is in its best interest to procure the Facilities which PAL, AE and AW may utilize directly and which receive the credit support of each of PAL, AE and AW as contemplated by this Agreement and the other Loan Documents.

(b) CoBank has advised PAL, AE and AW that it is unwilling to enter into this Agreement and the other Loan Documents and make available the Facilities extended hereby to PAL, AE and AW unless each of PAL, AE and AW agrees, among other things, to be jointly and severally liable for the due and proper payment of the Obligations of each of PAL, AE and AW, as applicable under this Agreement and the other Loan Documents. Each of PAL, AE and AW has determined that it is in its best interest and in pursuit of its purposes that it so induce CoBank to extend credit pursuant to this Agreement and the other Loan Documents (i) because of the desirability to each of PAL, AE and AW of the Facilities, the interest rates and the modes of borrowing available hereunder, (ii) because each of PAL, AE and AW may engage in transactions jointly with each other Company and (iii) because each of PAL, AE and AW may require, from time to time, access to funds under this Agreement for the purposes herein set forth.

(c) Each of PAL, AE and AW has determined that it has and, after giving effect to the transactions contemplated by this Agreement and the other Loan Documents (including, without limitation, the inter-Company arrangement set forth in this Section 11.1), will have assets having a fair saleable value in excess of the amount required to pay its probable liability on its existing debts as they fall due for payment and that the sum of its debts is not and will not then be greater than all of its assets at a fair valuation, that each of PAL, AE and AW has, and will have, access to adequate capital for the conduct of its business and the ability to pay its debts from time to time incurred in connection therewith as such debts mature and that the value of the benefits to be derived by each of PAL, AE and AW from the access to funds under this Agreement (including, without limitation, the inter-Company arrangement set forth in this Section 11.1) is reasonably equivalent to the obligations undertaken pursuant hereto.

11.2 **Maximum Amount Of Joint and Several Liability.** To the extent that applicable law otherwise would render the full amount of the joint and several obligations of PAL, AE and AW hereunder and under the other Loan Documents invalid or unenforceable, PAL's, AE's and AW's obligations hereunder and under the other Loan Documents shall be limited to the maximum amount which does not result in such invalidity or unenforceability, provided, however, that PAL's, AE's and AW's obligations hereunder and under the other Loan Documents shall be presumptively valid and enforceable to their fullest extent in accordance with the terms hereof or thereof, as if this Section 11.2 were not a part of this Agreement.

11.3 **Authorization.**

(a) Each of PAL, AE and AW hereby irrevocably authorizes PAL, AE and AW, as applicable, to give notices, make requests, make payments, receive payments and notices, give receipts and execute agreements, make agreements or take any other action whatever on behalf of each of PAL, AE and AW under and with respect to any Loan Document and each of PAL, AE and AW shall be bound thereby. This authorization is coupled with an interest and shall be irrevocable, and CoBank may rely on any notice, request, information supplied by either PAL, AE or AW, every document executed by either PAL, AE or AW, every agreement made by either PAL, AE or AW or other action taken by either PAL, AE or AW in respect of the other Company as if the same were supplied, made or taken by the other Company of PAL, AE or AW. Without limiting the generality of the foregoing, the failure of PAL, AE or AW to join in the execution of any writing in connection herewith shall not, unless the context clearly requires, relieve each of the other of PAL, AE or AW as applicable from obligations in respect of such writing.

(b) Each of PAL, AE and AW acknowledges that the credit provided hereunder is on terms more favorable than PAL, AE or AW acting alone would receive and that each of PAL, AE and AW benefits, directly and indirectly, from all Loans hereunder. Each of PAL, AE and AW shall be jointly and severally liable for all Obligations regardless of, inter alia, which either PAL, AE or AW requested (or received the proceeds of) a particular Loan.

[SIGNATURE PAGES FOLLOW]

[SIGNATURE PAGE TO CREDIT AGREEMENT]

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

COMPANY:

PACIFIC AURORA, LLC

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

PACIFIC ETHANOL AURORA EAST, LLC

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

PACIFIC ETHANOL AURORA WEST, LLC

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

Notice Address for the Company:

Pacific Aurora, LLC
Pacific Ethanol Aurora East, LLC
Pacific Ethanol Aurora West, LLC
c/o Pacific Ethanol, Inc.
400 Capital Mall, Suite 2060
Sacramento, California 95814
Attention: Bryon T. McGregor
Email Address: bmcgregor@pacificethanol.com

With a copy to:

Troutman Sanders, LLP
5 Park Plaza, Suite 1400
Irvine, California 92614
Attention: Larry Cerutti, Esq.
Martin Taylor, Esq.
Email Address: Larry.Cerutti@troutmansanders.com
Martin.Taylor@troutmansanders.com

[SIGNATURE PAGE TO CREDIT AGREEMENT]

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

COBANK:

COBANK, ACB

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

Notice Address for CoBank:

For general correspondence purposes:
P.O. Box 5110
Denver, Colorado 80217-5110

For direct delivery purposes:
6340 S. Fiddlers Green Circle
Greenwood Village, Colorado 80111-1914

Attention: Credit Information Services
Fax No.: (303) 224-6101
Email Address: MB_credit_info_svc@CoBank.com

ANNEX A

Definitions and Rules of Construction

A . **Defined Terms**. In this Agreement, capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them by the Notes and the following words and terms shall have the respective meanings set forth below:

"**ACE**" means Aurora Cooperative Elevator Company, a corporation organized and existing under the laws of Nebraska.

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

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

"**Affiliate**" means, with respect to any Person, any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 5% or more of any class of the voting or other equity interests of such Person, or (iii) 5% or more of any class of voting interests or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. Each of Farm Credit Leasing Services Corporation and CoBank, FCB are "**Affiliates**" of CoBank for all purposes under this Agreement.

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

"**Anti-Terrorism Law**" means any Law relating to terrorism or money laundering, including Executive Order No. 13224, the USA Patriot Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by the United States Treasury Department's Office of Foreign Asset Control, as any of the foregoing Laws may from time to time be amended, renewed, extended, or replaced.

"**Application**" is defined in Section 2.2(c).

"**Authorized Officer**" means an officer or other individual duly authorized to execute Loan Documents on behalf of CoBank or the applicable Loan Party, as the case may be, as designated from time to time in the case of the applicable Loan Party on forms supplied or approved by CoBank.

"**Brokerage Account**" means any commodity account that is owned by the Company and maintained with a commodity intermediary for trading in Commodities Contracts.

"**Business**" is defined in Section 5.12(b).

"**Business Day**" means a day that is not a Saturday, a Sunday, or a day on which CoBank's principal office in Greenwood Village, Colorado, is closed pursuant to authorization or requirement of law and, if the applicable Business Day relates to a Loan to which the LIBOR Index Option applies, such day must also be a day on which dealings are carried on in the London interbank market and, if the applicable Business Day relates to a Loan to which the Quoted Rate Option applies, such day must also be a day on which the Federal Reserve Bank of New York (or any successor) is open.

"**Capital Lease**" means, with respect to any Person, any lease of (or other agreement conveying the right to use) any real or personal property of such Person that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person.

"**Capital Stock**" means, with respect to any corporation, partnership, limited liability company, cooperative or other entity, any capital stock, partnership interests, limited liability company interests, membership interests or other equity or ownership interests of or in such corporation, partnership, limited liability company, cooperative or other entity and any warrants, rights or options to purchase or acquire any such capital stock, partnership interests, limited liability company interests, membership interests or other equity or ownership interests.

"**Change in Law**" means the occurrence, after the date of this Agreement, of any of the following: (i) the adoption or taking effect of any Law, (ii) any change in any Law or in the administration, interpretation or application thereof by any Official Body, or (iii) the making or issuance of any request, guideline or directive (whether or not having the force of Law) by any Official Body; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act, and all requests, regulations, rules, guidelines, directives, opinions, rulings, orders, interpretations, and the like promulgated or provided in connection therewith and (y) all requests, regulations, rules, guidelines, directives, opinions, rulings, orders, interpretations, and the like promulgated or provided by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority), or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted, or issued.

"**Change of Control**" means each and every issuance, sale, transfer or other disposition, directly or indirectly, of Voting Stock of or in (a) PEI which, after giving effect thereto, results in any Person owning, directly or indirectly, more than 50% of the Voting Stock of or in PEI, (b) PEC which, after giving effect thereto, results in any Person (other than PEI) owning, directly, any of the Voting Stock of or in PEC, (c) PAL which, after giving effect thereto, results in (i) PEC owning, directly, less than 63.93% of the Voting Stock of or in PAL or (ii) ACE owning, directly, less than 26.07% of the Voting Stock of or in PAL, (d) AE which, after giving effect thereto, results in any Person (other than PAL) owning, directly, any of the Voting Stock of or in AE, (e) AW which, after giving effect thereto, results in any Person (other than PAL) owning, directly, any of the Voting Stock of or in AW, or (f) PAL, AE or AW which, after giving effect thereto, (i) results in the Company no longer being an entity eligible to borrow from CoBank or (ii) becoming ineligible to borrow from CoBank at the amounts set forth in the Revolving Term Note or the Support L/C Facility Note.

"**Closing Date**" means the Business Day on which the first Loan or Letter of Credit is made or issued hereunder.

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

"**CoBank Cash Management Agreement**" means the Master Agreement for Cash Management and Transaction Services between CoBank and the Company, including all exhibits, schedules and annexes thereto and including all related forms delivered by the Company to CoBank related to or in connection therewith.

"**CoBank Equities**" is defined in Section 6.2(a).

"**Code**" means the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

"**Collateral**" is defined in Section 6.3.

"**Commodity Contract**" means a commodity futures contract or an option on a commodity futures contract, a commodity option and any other commodity related contract, interest or transaction that a commodity intermediary transacts for the benefit of the Company.

"**Commodity Exchange Act**" shall mean the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

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

"**Compliance Certificate**" is defined in Section 6.1(c).

"**Consolidated Group**" means the Company and its Consolidated Subsidiaries.

"**Consolidated Subsidiary**" means at any time, any Subsidiary, the accounts of which are or should, in accordance with GAAP, be consolidated with those of the Company in its consolidated financial statements at such time.

"**Current Members**" means ACE and PEC.

"**Debt Service Coverage Ratio**" means, with respect to any Person as of any date of determination, the following (all as calculated for the most recently completed fiscal year in accordance with GAAP consistently applied): (1) net income (after taxes), plus any amount which, in the determination of net income, has been deducted for depreciation and amortization expense and any non-recurring non-cash charges, losses or expenses approved by CoBank, minus any amount which, in the determination of net income, has been added for any non-cash income or gains (including non-cash income or gains on dividends received) and any extraordinary, unusual or non-recurring income or gains (including income or gains on asset sales); divided by (2) $5,000,000.

"**Default**" means any event or condition which with notice or passage of time, or both, would constitute an Event of Default.

"**Delegation Form**" means a CoBank Delegation and Wire and Electronic Transfer Form, or any substitute form therefor used by CoBank from time to time.

"**Environmental Indemnity and Reimbursement Agreement**" means that certain Environmental Indemnity and Reimbursement Agreement dated of even date herewith by the Company and PEI in favor of CoBank, as the same may be amended, restated, modified or supplemented from time to time.

"**Environmental Laws**" means all applicable Laws issued by or entered into with an Official Body pertaining or relating to: (i) pollution or pollution control; (ii) protection of human health from exposure to hazardous or regulated substances; (iii) protection of the environment or natural resources; (iv) employee safety in the workplace; (v) the presence, use, management, generation, manufacture, processing, extraction, treatment, recycling, refining, reclamation, labeling, packaging, sale, transport, storage, collection, distribution, disposal, or release or threat of release of hazardous or regulated substances; (vi) the presence of contamination; (vii) the protection of endangered or threatened species; or (viii) the protection of environmentally sensitive areas.

"**Environmental Liability**" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company directly or indirectly resulting from or based upon (i) violation of any Environmental Law; (ii) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials; (iii) exposure to any Hazardous Materials; (iv) the release or threatened release of any Hazardous Materials into the environment; or (v) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

"**ERISA Affiliate**" means, at any time, any trade or business (whether or not incorporated) under common control with the Company and treated as a single employer under Section 414 of the Code.

"**ERISA Event**" means (i) a reportable event (under Section 4043 of ERISA) with respect to a Plan; (ii) a withdrawal by the Company or any ERISA Affiliate from a Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (iii) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (iv) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Plan or Multiemployer Plan; (v) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan or Multiemployer Plan; or (vi) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

"**Event of Default**" is defined in Section 9.1.

"**Excluded Swap Obligation**" shall mean, with respect to any Company, any Swap Obligation or Interest Rate Hedge if, and to the extent that, all or a portion of the obligation of such Company with respect to, or the grant by such Company of a security interest to secure, such Swap Obligation or Interest Rate Hedge (or any other obligation with respect thereto) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Company's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the obligation of such Company or the grant of such security interest becomes effective with respect to such Swap Obligation or Interest Rate Hedge. If a Swap Obligation or Interest Rate Hedge arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation or Interest Rate Hedge that is attributable to swaps for which such obligation or security interest is or becomes illegal.

"**Excluded Taxes**" means (i) taxes imposed on or measured by the overall net income of CoBank (however denominated), and franchise taxes imposed on CoBank (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which CoBank is organized or in which its principal office is located or in which its applicable lending office is located, and (ii) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Company is located.

"**Facilities**" is defined in ARTICLE 2.

"**Flood Laws**" means, collectively, (i) the National Flood Insurance Act of 1968, (ii) the Flood Disaster Protection Act of 1973, (iii) the National Flood Insurance Reform Act of 1994 and (iv) the Flood Insurance Reform Act of 2004, in each case, as now or hereinafter in effect, and any successor statute thereto, and all such other applicable Laws related thereto.

"**GAAP**" means generally accepted accounting principles in the United States of America in effect from time to time and consistently applied from period to period.

"**Guarantor**" means, individually, ACE or PEI.

"**Guarantors**" means, collectively, ACE and PEI.

"**Hazardous Materials**" means (i) any explosive or radioactive substances, materials or wastes, and (ii) any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under, or that could reasonably be expected to give rise to liability under, any applicable Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls, urea-formaldehyde insulation, gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products.

"**Indebtedness**" means any and all indebtedness, obligations, or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) any letter of credit or any bankers or trade acceptance arrangement, (iv) obligations under any Interest Rate Hedge, or under any currency, commodity, or other swap agreement or other hedging or risk management device, (v) any other transaction (including forward sale or purchase agreements, Capital Leases, or conditional sales agreements) having the commercial effect of a borrowing of money (but not including trade payables or accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness and which are not more than sixty (60) days past due or Operating Leases), or (vi) any guaranty of Indebtedness for borrowed money.

"**Indemnified Taxes**" means (i) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Company under any Loan Document and (ii) to the extent not otherwise described in (i), Other Taxes.

"**Indemnitee**" is defined in Section 10.2(b).

"**Interest Rate Hedge**" means any interest rate exchange, collar, cap, swap, adjustable strike cap, adjustable strike corridor or similar agreement.

"**Interest Rate Option**" means the Company's option to have Loans under a Facility bear interest at the LIBOR Index Option or Quoted Rate Option, in each case, pursuant to and as permitted by the terms of the applicable Note.

"**IRS**" means the Internal Revenue Service.

"**JV**" means the joint venture contemplated by the JV Agreement and Closing Documents, all in accordance with the terms and conditions set forth in the JV Agreement and Closing Documents.

"**JV Agreement and Closing Documents**" means (a) that certain Amended and Restated Limited Liability Company Agreement of Pacific Aurora, LLC dated as of December 15, 2016 by and among PEC and ACE, (b) that certain Contribution Agreement dated as of December 12, 2016 by and among PEC, ACE and PAL, (c) that certain Unit Purchase Agreement dated as of December 15, 2016 by and among PEC and ACE and (d) the agreements, instruments and other documents executed and delivered in connection with the consummation of the JV.

"**Law**" means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, consent, authorization, approval, lien or award of or by, or any settlement agreement with, any Official Body.

"**Letter of Credit**" means one or more letters of credit issued by CoBank (in its sole discretion), in accordance with the terms and conditions thereof, with expiration dates that do not extend beyond the Support L/C Facility Expiration Date and in an aggregate face amount that does not exceed the Support L/C Facility Amount, as amended, restated, modified, supplemented, replaced, refinanced or renewed from time to time.

"**LIBOR Index Option**" means the option of the Company to have Loans bear interest at the LIBOR Index Rate.

"**LIBOR Index Rate**" means a rate (rounded upward to the nearest 1/100th and adjusted for reserves required on "Eurocurrency Liabilities" (as hereinafter defined) for banks subject to "FRB Regulation D" (as hereinafter defined) or required by any other federal law or regulation) per annum equal at all times to the LIBOR Index Spread plus the higher of: (a) zero percent (0.000%); or (b) the rate reported at 11:00 a.m. London time for the offering of one (1)-month U.S. dollars deposits, by Bloomberg Information Services (or on any successor or substitute service providing rate quotations comparable to those currently provided by such service, as determined by CoBank from time to time, for the purpose of providing quotations of interest rates applicable to dollar deposits in the London interbank market) on the first "U.S. Banking Day" (as hereinafter defined) in each week, with such rate to change weekly on such day. The rate shall be reset automatically, without the necessity of notice being provided to the Company or any other party, on the first "U.S. Banking Day" of each succeeding week, and each change in the rate shall be applicable to all balances subject to this option. Information about the then-current rate shall be made available upon telephonic request. For purposes hereof: (1) "U.S. Banking Day" shall mean a day on which CoBank is open for business and banks are open for business in New York, New York; (2) "Eurocurrency Liabilities" shall have the meaning as set forth in "FRB Regulation D"; and (3) "FRB Regulation D" shall mean Regulation D as promulgated by the Board of Governors of the Federal Reserve System, 12 CFR Part 204, as amended.

"**LIBOR Index Spread**" shall have the meaning set forth in the applicable Note.

"**Lien**" means any mortgage, deed of trust, pledge, lien, security interest (including a purchase money security interest), charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

"**Loan**" means, unless the context indicates otherwise, each Loan as such term is defined in each Note.

"**Loan Documents**" means this Agreement, each Note, the Working Capital Maintenance Agreement, the Environmental Indemnity and Reimbursement Agreement, each Letter of Credit, Application, Reimbursement Agreement and Interest Rate Hedge, 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.

"**Loan Party**" means, individually, a Guarantor or the Company.

"**Loan Parties**" means, collectively, each Guarantor and the Company.

"**Loan Request**" has the meaning set forth in each Note.

"**Material Adverse Change**" means any set of circumstances or events which (i) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any other Loan Document, (ii) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations, or prospects of the Company taken as a whole, (iii) impairs materially or could reasonably be expected to impair materially the ability of the Company taken as a whole to duly and punctually pay or perform any of the Obligations or any Guarantor to duly and punctually pay or perform any of its obligations under the Working Capital Maintenance Agreement or the Environmental Indemnity and Reimbursement Agreement, or (iv) impairs materially or could reasonably be expected to impair materially the ability of CoBank, to the extent permitted, to enforce its legal remedies pursuant to this Agreement or any other Loan Document.

"**Multiemployer Plan**" means any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which the Company or any ERISA Affiliate is then making or accruing an obligation to make contributions or, within the preceding five Plan years, has made or had an obligation to make such contributions.

"**Note**" means each promissory note issued in connection with this Agreement at any time.

"**Obligations**" means all obligations, indebtedness, and liabilities to CoBank, or any Subsidiary or Affiliate of CoBank, of any nature whatsoever arising at any time and from time to time including those arising under this Agreement, any Note, Letter of Credit, Application, Reimbursement Agreement, or any other Loan Document and including those arising under Interest Rate Hedges, Swap Obligations or agreements governing other financial services or products (including cash management services) provided by CoBank or one of its Subsidiaries or Affiliates to the Company, but excluding, as to any Company, its Excluded Swap Obligations.

"**Official Body**" means the government of the United States of America or any other nation or tribe, or of any political subdivision thereof, whether state, local, tribal or territorial, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory, or administrative powers or functions of or pertaining to government and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

"**Operating Lease**" means, with respect to any Person, any leasing or similar arrangement of such Person for the lease or use of any equipment or other personal property assets for a period in excess of one year, which, in conformity with GAAP, would not be characterized as a Capital Lease.

"**Organizational Documents**" means (i) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction), (ii) with respect to any limited liability company, the certificate of formation or articles of organization and the operating agreement or limited liability company agreement and (iii) with respect to any partnership, cooperative, joint venture, trust or other form of business entity, the partnership, cooperative, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Official Body in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"**Other Taxes**" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, this Agreement, any Note, or any other Loan Document.

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

"**Payment in Full**" means the completion of the transactions hereunder and the indefeasible payment in full in cash of all Obligations hereunder, termination of all commitments hereunder and the expiration or termination of all Letters of Credit issued in connection herewith.

"**PBGC**" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A or Title IV of ERISA or any successor.

"**PEC**" means Pacific Ethanol Central, LLC, a limited liability company organized and existing under the laws of Delaware.

"**PEI**" means Pacific Ethanol, Inc., a corporation organized and existing under the laws of Delaware.

"**Permitted Indebtedness**" is defined in Section 7.1.

"**Permitted Liens**" is defined in Section 7.2.

"**Person**" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental agency.

"**Personal Property Collateral**" is defined in Section 6.3.

"**Plan**" means at any time an employee pension benefit plan (including a Multiple Employer Plan, but not a Multiemployer Plan) subject to Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA and in respect of which the Company or any ERISA Affiliate is (or if such plan were terminated, would under 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(S) of ERISA.

"**Properties**" is defined in Section 5.12(a).

"**Protective Advance**" is defined in Section 2.1(e).

"**Qualified ECP**" shall mean any of PAL, AE or AW that has total assets exceeding $10,000,000 or that constitutes an "eligible contract participant" under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another Person to qualify as an "eligible contract participant" by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

"**Quoted Rate**" means a fixed rate per annum quoted to the Company by CoBank to be applicable for a period determined by CoBank, in its sole discretion in each instance.

"**Quoted Rate Option**" means the option of the Company to have Loans bear interest at the Quoted Rate.

"**Real Property Collateral**" is defined in Section 6.3.

"**Reimbursement Agreement**" is defined in Section 2.2(c).

"**Relief Proceeding**" is defined in Section 9.1(l).

"**Repurchase Agreement**" means an agreement between the Company or any Subsidiary and a counterparty pursuant to which the Company or any Subsidiary agrees to repurchase from such counterparty on a future date any commodity sold by the Company or any Subsidiary to such counterparty.

"**Revolving Term Commitment**" shall have the meaning set forth in the Revolving Term Note.

"**Revolving Term Facility**" is defined in Section 2.1.

"**Revolving Term Facility Expiration Date**" shall have the meaning set forth in the Revolving Term Note.

"**Revolving Term Facility Usage**" means, as of the date of determination, the aggregate principal amount of all outstanding Revolving Term Loans.

"**Revolving Term Loan**" is defined in Section 2.1(a).

"**Revolving Term Note**" is defined in Section 2.1(b).

"**Statements**" is defined in Section 5.5.

"**Subsidiary**" means a corporation, trust, partnership, limited liability company, or other business entity (a) of which shares of stock or similar interests having ordinary voting power to elect a majority of the board of directors, trustees, or other managers of such entity (regardless of any contingency which does or may suspend or dilute the voting rights) are owned or controlled, directly or indirectly, by the Company or one of its Subsidiaries, or (b) which is directly or indirectly controlled or capable of being controlled by the Company or one or more of the Company's Subsidiaries.

"**Support L/C Facility**" is defined in Section 2.2.

"**Support L/C Facility Amount**" shall have the meaning set forth in the Support L/C Facility Note.

"**Support L/C Facility Expiration Date**" shall have the meaning set forth in the Support L/C Facility Note.

"**Support L/C Facility Loan**" is defined in Section 2.2(a).

"**Support L/C Facility Note**" is defined in Section 2.2(a).

"**Swap Obligation**" shall mean, with respect to any Company, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act.

"**Taxes**" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Official Body, including any interest, additions to tax or penalties applicable thereto.

"**Title Policy**" is defined in Section 4.1(a)(viii).

"**Voting Stock**" means, with respect to any corporation, partnership, limited liability company, cooperative or other entity, any Capital Stock of or in such corporation, limited liability company, partnership, cooperative or other entity whose holders are entitled under ordinary circumstances to vote for the election of directors (or Persons performing similar functions) of such corporation, limited liability company, partnership, cooperative or other entity (irrespective of whether at the time Capital Stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"**Working Capital**" means, with respect to any Person as of any date of determination, the excess of current assets over current liabilities (as determined in accordance with GAAP consistently applied). For purposes of determining the current assets, any amount available under the Revolving Term Facility (less the amount that would be considered a current liability under GAAP if fully advanced) may be included.

"**Working Capital Maintenance Agreement**" means that certain Working Capital Maintenance Agreement dated of even date herewith by the Guarantors in favor of CoBank, as the same may be amended, restated, modified or supplemented from time to time.

B. **Rules of Construction**. Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents: (i) references to the plural include the singular (and vice versa), the plural, the part and the whole, and the words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation"; (ii) the words "hereof," "herein," "hereunder," "hereto," and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole; (iii) article, section, subsection, clause, schedule, and exhibit references are to this Agreement or other Loan Document, as the case may be, unless otherwise specified; (iv) reference to any Person includes such Person's successors and assigns; (v) reference to any document, instrument, or agreement, including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto, means such document, instrument, or agreement as amended, restated, replaced, refinanced, supplemented, substituted, increased, extended, superseded, or otherwise modified from time to time; (vi) relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including;" (vii) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights; (viii) section headings herein and in each other Loan Document are included for convenience only and shall not affect the interpretation of this Agreement or such Loan Document; (ix) references to any Loan Document or any other document, instrument, or agreement is deemed to include a reference to all annexes, schedules, and exhibits thereto, and (x) unless otherwise specified, all references herein to times of day shall be references to prevailing Mountain Time.

C . **Accounting Principles**. Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP; provided, however, that all accounting terms used in Article 8 (and all defined terms used in the definition of any accounting term used in such Article) shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof applied on a basis consistent with those used in preparing the Statements referred to in Article 5. In the event of any change after the date hereof in GAAP, and if such change would affect the computation of any of the financial covenants set forth in Article 8, then the parties hereto agree to endeavor, in good faith, to agree upon an amendment to this Agreement that would adjust such financial covenants in a manner that would preserve the original intent thereof, but would allow compliance therewith to be determined in accordance with the Company's financial statements at that time, provided that, until so amended, such financial covenants shall continue to be computed in accordance with GAAP prior to such change therein.

ANNEX B

Real Property Collateral

PAL Property

TRACT 1:
Outlot 1, Outlot 7, Lots 8 & 9, AURORA WEST SUBDIVISION REPLAT, Aurora, Hamilton County, Nebraska, EXCEPT that part of Outlot 1 conveyed to the State of Nebraska Department of Roads by Quit Claim Deed recorded in Book 94, Page 528.

TRACT 2:
Underground utility easement as set forth more fully in Easement (Utility and Right to Enter) dated March 7, 2007, recorded March 21, 2007 as Inst. No. 2007-00488, in Misc. Book 46, Page 146.

TRACT 3:
Underground utility easement as set forth more fully in Easement (Utility and Right to Enter) dated March 6, 2007, recorded March 21, 2007 as Inst. No. 2007-00519, in Misc. Book 46, Page 150.

TRACT 4:
Underground utility easement as set forth more fully in Easement (Utility and Right to Enter) dated February 22, 2007, recorded March 21, 2007 as Inst. No. 2007-00520, in Misc. Book 46, Page 151.

TRACT 5:
Underground utility easement as set forth more fully in Easement (Utility and Right to Enter) dated May 21, 2007, recorded May 31, 2007 as Inst. No. 2007-01052, in Misc. Book 46, Page 189.

TRACT 6:
Easement to construct, operate and maintain the Double Track Loop, together with an easement of ingress and egress thereto, granted pursuant to Double Track Loop Easement and Use Agreement dated August 1, 2006, by and between Aurora Cooperative Elevator Company and Aventine Renewable Energy Holdings, Inc., notice of which is given by Memorandum thereof dated July 24, 2007, recorded August 6, 2007 as Inst. No. 2007-01548, in Misc. Book 46, Page 234, as to Lots 8 and 9 only.

TRACT 7:
Easement to construct, maintain, operate, use and replace the Double Track Loop, together with an easement of ingress and egress thereto, granted pursuant to NELLC Track Easement and Use Agreement dated August 1, 2006, by and between Aurora Cooperative Elevator Company, Aventine Renewable Energy Holdings, Inc., and Nebraska Energy, LLC, notice of which is given by Memorandum thereof dated July 24, 2007, recorded August 6, 2007 as Inst. No. 2007-01547, in Misc. Book 46, Page 233, as to Lot 9 only.

TRACT 8:
Railroad Easement 80 feet in width located under a portion of Harvest Drive, as shown on the plat of AURORA WEST SUBDIVISION REPLAT, recorded September 5, 2007 in Plat Book 3, Plat Cabinet C, Page 287 as to Lot 9 and Outlot 1.

AE Property

PARCEL 1:
Part of Lot One (1), Aurora Business Park South Subdivision, in part of the Northeast Quarter (NE1/4) of Section Six (6), Township Ten (10) North, Range Six (6) West of the 6th P.M., Hamilton County, Nebraska, more particularly described as:

Beginning at the Southeast corner of said Lot Two (2); thence on an assumed bearing of N00°42'45"E upon and along the East line of said Lot Two (2) a distance of 136.30 feet to a point on the Southerly line of Lot Two (2), a distance of 136.30 feet to a point on Southerly line of Lot Nine (9), Aurora West Subdivision Replat; thence S76°00'54"E upon and along said Southerly line of Lot Nine (9) a distance of 203.98 feet to a point on the East line of said Lot Nine (9), thence N02°41'46"E upon and along said East line of Lot Nine (9), a distance of 335.91 feet; thence N27°00'20"E upon and along said Easterly line of Lot Nine (9) a distance of 322.63 feet, thence N89°24'13"E a distance of 101.14 feet, thence N01°00'56"E upon and along said East line of Lot Nine (9) a distance of 228.95 feet to a point on the South line of Lot Two (2), Aurora Business Park South 4th Subdivision; thence S89°11'45"E upon and along the South lines of said Lot Two (2) and Lot One (1), Aurora Business Park South 4th Subdivision, a distance of 746.18 feet to the West Right-of-Way (ROW) line of 0 Road, thence S00°48'38"W upon and along said West ROW Line a distance of 1200.06 feet to the intersection of said West ROW line and the Northerly ROW line of the Burlington Northern Railroad, thence N77°15'37"W upon and along said Northerly ROW line of the Burlington Northern Railroad, a distance of 1226.44 feet to the point of beginning.

PARCEL 2:
Aurora Business Park South Fifth Subdivision, Hamilton County, Nebraska, more particularly described as follows:

A tract of land comprising a part of the Northeast Quarter (NE1/4) of Section Six (6), Township Ten (10) North, Range Six (6) West of the 6th P.M.,, Hamilton County, Nebraska more particularly described as:

Beginning at the Southwest corner of Lot Two (2), Aurora Business Park South Subdivision, Hamilton County, Nebraska; thence on an assumed bearing of N00°47'34"E upon and along the West line of said Lot Two (2), a distance of 134.42 feet thence N86°25'38"W a distance of 826.59 feet to a point on the Northerly Right of Way (ROW) line of the Burlington Northern Railroad; thence S77°16'20"E upon and along said Northerly ROW line of the Burlington Northern Railroad a distance of 843.86 feet to the point of beginning.

PARCEL 3:
A tract of land comprising a part of Lot Two (2), Aurora Business Park South Subdivision, Hamilton County, Nebraska, more particularly described as follows:

Beginning at the Southeast corner of said Lot Two (2); thence on an assumed bearing of N00°42'45"E upon and along the East line of said Lot Two (2) a distance of 136.30 feet; thence N77°39'05"W a distance of 241.01 feet to a point on the West line of said Lot Two (2); thence S00°47'34"W upon and along said West line of Lot Two (2), a distance of 134.42 feet to the intersection of the Southwest corner of said Lot Two (2) and a point on the Northerly Right-of-Way (ROW) line of the Burlington Northern Railroad; thence S77°13'26"E upon and along the South line of said Lot Two (2), said line also being the Northerly ROW line of the Burlington Northern Railroad a distance of 241.58 feet to the point of beginning.

Parcel 4:
Lot Two (2), Aurora Business Park South Fourth Subdivision, Hamilton County, Nebraska, according to the recorded plat thereof.

AND

That Part of Lot 1, Aurora Business Park South Fourth Addition, a Subdivision as surveyed, platted and recorded in Hamilton County, Nebraska, described as follows: Beginning at the Southwest Corner of Lot 1, Aurora Business Park South Fourth Addition, said point also being the Southeast Corner of Lot 2, Aurora Business Park South Fourth Addition; thence North 00°30'49"West (Bearing Referenced to Nebraska State Plane NAD83) for 199.94 feet to the Northeast Corner of said Lot 2; thence North 89°31'44"East for 50.00 feet to the extended North line of said Lot 2; thence South 00°30'49"East for 199.92 feet parallel with and 50.00 feet East of the West line of said Lot 2 to the South line of said Lot 1; thence South 89°30'25" West for 50.00 feet to the Point of Beginning.

AW Property

TRACT 1:
Lots 5 and 6, Aurora West Subdivision Replat, Aurora, Hamilton County, Nebraska.

TRACT 2:
Railroad Easement 80 feet in width located under a portion of Harvest Drive, as shown on the plat of AURORA WEST SUBDIVISION REPLAT, recorded September 5, 2007 in Volume 3 of Book 3, Page 386.

TRACT 3:
Easement to construct, operate and maintain the Double Track Loop, together with an easement of ingress and egress thereto, granted pursuant to Double Track Loop Easement and Use Agreement dated August 1, 2006, by and between Aurora Cooperative Elevator Company and Aventine Renewable Energy Holdings, Inc., notice of which is given by Memorandum thereof dated July 24, 2007, recorded August 6, 2007 as Inst. No. 2007-01548, in Misc. Book 46, Page 234.

TRACT 4:
Easement to construct, maintain, operate, use and replace the Double Track Loop, together with an easement of ingress and egress thereto, granted pursuant to NELLC Track Easement and Use Agreement dated August 1, 2006, by and between Aurora Cooperative Elevator Company, Aventine Renewable Energy Holdings, Inc., and Nebraska Energy, LLC, notice of which is given by Memorandum thereof dated July 24, 2007, recorded August 6, 2007 as Inst. No. 2007-01547, in Misc. Book 46, Page 233, as to Lot 6 only.

TRACT 5:
Access Easement over Lot 4 as shown on the plat of AURORA WEST SUBDIVISION REPLAT, recorded September 5, 2007 in Volume 3 of Book 3, Page 386, as to Lot 6 only.

TRACT 6:
Perpetual and non-exclusive easement over, upon and under the Easement Area along with the right to enter onto the Lot 3 and Lot 4 property granted in Outer Track Loop Easement and Use Agreement recorded _____, 2016 as Document No. _____ in Book _____ at Page _____, as to Lot 6 only.

SCHEDULE 5.2

Subsidiaries

This is Schedule 5.2 to that certain Credit Agreement dated as of December 15, 2016 by and between Pacific Aurora, LLC, Pacific Ethanol Aurora East, LLC and Pacific Ethanol Aurora West, LLC and CoBank, ACB (as amended, restated, modified or supplemented from time to time, the "**Credit Agreement**"). Capitalized terms defined in the Credit Agreement and not defined in this Schedule 5.2 shall have the respective meanings ascribed to them by the Credit Agreement.

Legal Name of the Company	**Jurisdiction of organization and type of entity** [for example, Delaware limited liability company, Colorado corporation, etc.]
Pacific Aurora, LLC	Delaware limited liability company
Pacific Ethanol Aurora East, LLC	Delaware limited liability company
Pacific Ethanol Aurora West, LLC	Delaware limited liability company

Legal Name of Subsidiary	**Is the Subsidiary a Guarantor?** [Yes or No]	**Jurisdiction of organization and type of entity**
Pacific Ethanol Aurora East, LLC	No	Delaware limited liability company
Pacific Ethanol Aurora West, LLC	No	Delaware limited liability company

SCHEDULE 5.12(e)

Environmental Matters

Prior to Pacific Ethanol's ownership of the Aurora West facility ("Facility"), the Nebraska Department of Environmental Protection ("NDEP") issued two Notices of Violation to Aventine Renewable Energy, dated May 1, 2015 and July 30, 2015 for alleged violations of Nebraska's air quality regulations and Construction Permit # CP-12-012. In addition, subsequent to Pacific Ethanol's ownership of the Facility, on October 16, 2015, the NDEP attended a performance test at the Facility and alleged violations of NDEP policies regarding the need for notification of compliance tests and excess emissions. The allegations identified in the May 1, 2015 and July 30, 2015 Notices of Violation and arising from the October 16, 2015 performance test are being addressed through negotiation of a Consent Order between Pacific Ethanol and NDEP.

SCHEDULE 6.12(b)

Collateral Assignments of Material Agreements

Corn Procurement and Supply Agreement between Pacific Aurora, LLC and Pacific Ag. Products, LLC dated December 15, 2016

Co-Product Marketing Agreement between Pacific Aurora, LLC and Pacific Ag. Products, LLC dated December 15, 2016

Ethanol Marketing Agreement between Pacific Aurora, LLC and Kinergy Marketing LLC dated December 15, 2016

Asset Management Agreement between Pacific Aurora, LLC and Pacific Ethanol, Inc. dated December 15, 2016

EXHIBIT A

Form of Revolving Term Note

REVOLVING TERM NOTE

$30,000,000 Greenwood Village, Colorado
December 15, 2016

FOR VALUE RECEIVED, PACIFIC AURORA, LLC , a limited liability company organized and existing under the laws of Delaware ("**PAL**"), PACIFIC ETHANOL AURORA EAST, LLC, a limited liability company organized and existing under the laws of Delaware ("**AE**"), and PACIFIC ETHANOL AURORA WEST, LLC, a limited liability company organized and existing under the laws of Delaware ("**AW**") (PAL, AE and AW are hereinafter referred to individually and collectively as the " **Company**"), jointly and severally, hereby promises to pay to the order of COBANK, ACB (which, together with its endorsees, successors, and assigns, is referred to herein as "**CoBank**" or the "**Bank**"), at its office 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 MILLION DOLLARS ($30,000,000) 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 CoBank 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 even date herewith, between the Company and CoBank (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 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.

1. *Commitment Reductions.* The Revolving Term Commitment as of the date hereof shall be in an amount equal to $30,000,000 and shall be permanently reduced by $2,500,000 on each June 1 and December 1, commencing on June 1, 2017, and continuing on each such date of each successive year thereafter through and including December 1, 2020; on the Revolving Term Facility Expiration Date, the Revolving Term Commitment shall be permanently reduced to zero dollars ($0.00). The Company shall also have the right, in its sole discretion, to permanently reduce the Revolving Term Commitment by giving CoBank 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 and shall not affect the scheduled permanent reductions otherwise required hereunder.

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 CoBank 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 CoBank 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 be payable monthly in arrears on the 20th day of each month hereafter, commencing on December 20, 2016, and on the Revolving Term Facility Expiration Date.

5. *Interest Payments.* The Company hereby further promises to pay to the order of CoBank, 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 CoBank 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 CoBank 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 4.00% 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 CoBank.

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 CoBank in its sole discretion in each instance, provided that: (1) the minimum fixed period hereunder shall be 180 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. CoBank'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 CoBank to make Loans and the Company may from time to time prior to the Revolving Term Facility Expiration Date request CoBank 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 CoBank 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 CoBank 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 CoBank), 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 and CoBank, 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 CoBank 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 CoBank 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.

COMPANY:

PACIFIC AURORA, LLC

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

PACIFIC ETHANOL AURORA EAST, LLC

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

PACIFIC ETHANOL AURORA WEST, LLC

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

EXHIBIT A

FORM OF REVOLVING TERM LOAN REQUEST

[_____], 20[__]

To: CoBank, ACB ("**CoBank**")

From: Pacific Aurora, LLC, a limited liability company organized and existing under the laws of Delaware ("**PAL**"), Pacific Ethanol Aurora East, LLC, a limited liability company organized and existing under the laws of Delaware ("**AE**"), and Pacific Ethanol Aurora West, LLC, a limited liability company organized and existing under the laws of Delaware ("**AW**") (PAL, AE and AW are hereinafter referred to individually and collectively as 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 and CoBank

Pursuant to Section 2.1(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 AURORA, LLC

By: _____
Name: _____
Title: _____

PACIFIC ETHANOL AURORA EAST, LLC

By: _____
Name: _____
Title: _____

PACIFIC ETHANOL AURORA WEST, LLC

By: _____
Name: _____
Title: _____

EXHIBIT B

Form of Support L/C Facility Note

SUPPORT L/C FACILITY NOTE

$500,000 Greenwood Village, Colorado
December 15, 2016

FOR VALUE RECEIVED, PACIFIC AURORA, LLC , a limited liability company organized and existing under the laws of Delaware ("**PAL**"), PACIFIC ETHANOL AURORA EAST, LLC, a limited liability company organized and existing under the laws of Delaware ("**AE**"), and PACIFIC ETHANOL AURORA WEST, LLC, a limited liability company organized and existing under the laws of Delaware ("**AW**") (PAL, AE and AW are hereinafter referred to individually and collectively as the " **Company**"), jointly and severally, hereby promises to pay to the order of COBANK, ACB (which, together with its endorsees, successors, and assigns, is referred to herein as "**CoBank**" or the "**Bank**"), at its office 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 FIVE HUNDRED THOUSAND DOLLARS ($500,000) as reduced on the dates set forth in Section 1 below (as so reduced, the "**Support L/C Facility Commitment**") and (ii) the aggregate unpaid principal balance of all loans made under this Support L/C Facility Note (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 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 Support L/C Facility 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 even date herewith, between the Company and CoBank (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.

1. *Commitment Reductions.* The Company shall have the right, in its sole discretion, to permanently reduce the Support L/C Facility Commitment by giving CoBank 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 $100,000.

2. *Borrowing Availability*. Amounts may be borrowed no later than 12:00 noon (Denver time) on February 1, 2018 (the "**Support L/C Facility Expiration Date**").

3. *Purpose of Loan*. The sole and exclusive purpose of this Note is to finance draws on any Letter of Credit in accordance with the terms and conditions thereof. If CoBank honors any such drafts submitted under any Letter of Credit, Company hereby irrevocably authorizes CoBank to make a loan hereunder to reimburse CoBank for such draft payments.

4. *Principal Payments*. 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 Support L/C Facility Expiration Date. If at any time, the aggregate principal amount of Loans outstanding exceeds the Support L/C Facility Commitment at such time, the Company shall immediately notify CoBank and shall immediately prepay the principal amount of the outstanding Loans in an amount sufficient to eliminate such excess.

5. *Interest Payments.* The Company hereby further promises to pay to the order of CoBank, at the times and on the dates provided in the Agreement, interest on the unpaid principal amount of the Loan from the date hereof until the Payment in Full of the Loan at the rate or rates comprising the Interest Rate Option (defined below).

6. *Interest Rate Option*. The Company shall pay interest in accordance with the following interest rate option with respect to the Loans (the "**Interest Rate Option**"): the LIBOR Index Option, which is the LIBOR Index Rate with a LIBOR Index Spread of 4.00% per annum (the "**LIBOR Index Spread**").

7. *Miscellaneous.*

(a) This Note is the Support L/C Facility 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 and CoBank, 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 CoBank 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 CoBank 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 AURORA, LLC

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

PACIFIC ETHANOL AURORA EAST, LLC

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

PACIFIC ETHANOL AURORA WEST, LLC

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

[Support L/C Facility Note Signature Page]

EXHIBIT C

Form of Compliance Certificate

Pacific Aurora, LLC
Compliance Certificate

Date:_____

This Certificate is delivered pursuant to the Credit Agreement dated _____, as amended, (hereinafter referred to as the "Agreement") between Pacific Aurora, LLC, Pacific Ethanol Aurora East, LLC, and Pacific Ethanol Aurora West, LLC (individually and collectively, the "Company") and CoBank, ACB ("CoBank"). Terms used herein and defined in the Credit Agreement shall have their defined meanings when used herein.

Article 8.1 - Working Capital

Required to be not less than $22,500,000 measured at each month end, increasing to $24,000,000 effective 6/30/17 and measured at each month end thereafter.

GAAP Current Assets	$0	
plus: Unadvanced Portion of the Term Revolver	$0	
Adjusted Current Assets		$0
GAAP Current Liabilities	$0	
plus: Current Portion of Long Term Indebtedness (if not already included in Current Liabilities)	$0	
Adjusted Current Liabilities		$0
GAAP Working Capital -->		$0
Adjusted Working Capital -->		**$0**

Compliance (Yes/No) _____

Article 8.2 - Debt Service Coverage Ratio

Required to be not less than 1.50x, measured at each fiscal year end (beginning 12/31/17) based on the annual audit.

Net Income (after tax)	$0	
plus: Depreciation & Amortization	$0	
less: Non-Cash Dividends/Distributions Received	$0	
less: Extraordinary Gains (plus Losses approved by CoBank)	$0	
less: Gains (plus Losses approved by CoBank) on Asset Sales	$0	
Cash Available for Debt Service		$0
Divided by: $5,000,000		$5,000,000
DSC Ratio -->		**0.00**

Compliance (Yes/No) _____

Article 7.7 - Dividends and Related Distributions

Beginning 12/31/17, annual dividend and distribution payments allowed in a maximum amount of 40% of net income after receipt of the annual audit and prior to April 30th of such year, subject to compliance with all financial covenants. Additional intra-year dividend and distribution payments may be made so long as the Company is in compliance with all financial covenants and will remain in compliance on a pro forma basis, and working capital on a pro forma basis is not less than $30,000,000.

Intra-Year Dividends/Distributions		
Intra-Year Dividends/Distributions Allowed (Yes/No)		
Intra-Year Dividends/Distributions Paid Year to Date		$0
Annual Dividends/Distributions		
Annual Dividends/Distributions Allowed (Yes/No)		
Maximum Dividend/Distribution Payment Allowed (40% of prior year audited net income)	$0	
Annual Dividends/Distributions Paid Year to Date		$0

Compliance (Yes/No) _____

FINANCIAL OFFICER CERTIFICATION

The undersigned hereby certifies that the foregoing is a correct statement of financial condition and compliance as of the month end stated above, and that, during such month, there existed at no time any condition or event which constituted an event of default or which, after notice or lapse of time or both, would constitute an event of default in the performance of any covenants contained in the Credit Agreement.

By:_____ **Title:**_____ **Date:**_____

Exhibit 10.8

COBANK, ACB
SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "**Security Agreement**") is executed and delivered by PACIFIC AURORA, LLC, a Delaware limited liability company having its place of business (or chief executive office if more than one place of business) located at 400 Capital Mall, Suite 2060, Sacramento, California 95814 ("**PAL**"), PACIFIC ETHANOL AURORA EAST, LLC, a Delaware limited liability company having its place of business (or chief executive office if more than one place of business) located at 400 Capital Mall, Suite 2060, Sacramento, California 95814 ("**AE**"), and PACIFIC ETHANOL AURORA WEST, LLC, a Delaware limited liability company having its place of business (or chief executive office if more than one place of business) located at 400 Capital Mall, Suite 2060, Sacramento, California 95814 ("**AW**") (PAL, AE and AW are hereinafter referred to individually and collectively as the "**Debtor**"), to COBANK, ACB (the "**Secured Party**"), a federally chartered instrumentality of the United States, whose mailing address is P.O. Box 5110, Denver, Colorado 80217.

SECTION 1. GRANT OF SECURITY INTEREST. For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby grants to the Secured Party a security interest in all of the personal property of the Debtor, wherever located and whether now existing or hereafter acquired, together with all accessions and additions thereto, and all products and proceeds thereof, including:

> accounts; inventory (including without limitation, returned or repossessed goods); goods; as-extracted collateral; chattel paper; electronic chattel paper; instruments; investment property (including, without limitation, certificated and uncertificated securities, security entitlements, securities accounts, commodity contracts, and commodity accounts); letters of credit; letter-of-credit rights; documents; equipment; farm products; fixtures; general intangibles (including, without limitation, payment intangibles, choses or things in action, litigation rights and resulting judgments, goodwill, patents, trademarks and other intellectual property, tax refunds, miscellaneous rights to payment, investments and other interests in entities not included in the definition of investment property (including, without limitation, all equities and patronage rights in all cooperatives and all interests in partnerships and joint ventures), margin accounts, computer programs, software, invoices, books, records and other information relating to or arising out of the Debtor's business); and, to the extent not covered by the above, all other personal property of the Debtor of every type and description, including without limitation, supporting obligations, interests or claims in or under any policy of insurance, commercial tort claims, deposit accounts, money, and judgments (the "**Collateral**").

Where applicable, all terms used herein shall have the same meaning as presently and as hereafter defined in the Uniform Commercial Code (the "**UCC**").

SECTION 2. THE OBLIGATIONS. The security interest granted hereunder shall secure the payment of all indebtedness and the performance of all obligations of the Debtor to the Secured Party 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, advances and other extensions of credit and all covenants, agreements, and provisions contained in all loan and other agreements between the parties (the "**Obligations**").

SECTION 3. REPRESENTATIONS, WARRANTIES AND COVENANTS. The Debtor represents, warrants and covenants as follows:

A. Title to Collateral. Except as expressly permitted under that certain Credit Agreement dated as of even date herewith between the Secured Party and Debtor (the "**Agreement**") or by any other written agreement between the parties, and except for any security interest in favor of the Secured Party, the Debtor has clear title to all Collateral free of all adverse claims, interests, liens, or encumbrances. Without the prior written consent of the Secured Party, the Debtor shall not create or permit the existence of any adverse claims, interests, liens, or other encumbrances against any of the Collateral. The Debtor shall provide prompt written notice to the Secured Party of any future adverse claims, interests, liens, or encumbrances against all Collateral, and shall defend diligently the Debtor's and the Secured Party's interests in all Collateral.

B. Validity of Security Agreement; Authority. This Security Agreement is the valid and binding obligation of the Debtor, enforceable in accordance with its terms. The Debtor is duly formed, validly existing and in good standing under the laws of its jurisdiction of formation. The Debtor has the full power to execute, deliver and carry out the terms and provisions of this Security Agreement and all related documents and to grant to the Secured Party a security interest in, and a lien on, the Collateral, has taken all necessary action to authorize the execution, delivery and performance of this Security Agreement and all related documents, and such execution, delivery and performance do not and will not (i) violate any of the terms or provisions of the organizational documents of the Debtor or any provision of any law, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Debtor, (ii) result in a breach of, or constitute a default under, any indenture or loan or credit agreement or any other agreement, document or instrument to which the Debtor is a party or by which the Debtor or any of the Debtor's property may be bound or affected or (iii) result in or require the creation or imposition of any lien or other encumbrance of any nature upon or with respect to any of the property of the Debtor (except for any security interest in favor of the Secured Party).

C. Location of the Debtor. The Debtor's place of business (or chief executive office if more than one place of business) is located at the address shown above. The Debtor's state of incorporation or formation is as shown above.

D. Location of Fixtures. All fixtures are now at the location or locations specified on **Schedule A** attached hereto and made a part hereof.

E. Name, Identity, and Corporate Structure. The Debtor's exact legal name is as set forth above. Except as set forth on **Schedule B**, the Debtor has not within the past one year changed its name, identity or corporate structure through incorporation, merger, consolidation, joint venture or otherwise.

F. Change in Name, State of Debtor's Location, Location of Collateral, Etc. Without giving at least thirty days' prior written notice to the Secured Party, the Debtor shall not change its name, identity or organizational structure, the location of its place of business (or chief executive office if more than one place of business), its state of incorporation or formation, or the location of the Collateral.

G. Further Assurances. Upon the reasonable request of the Secured Party, the Debtor shall do all acts and things as the Secured Party may from time to time reasonably deem necessary or advisable to enable it to perfect, maintain, and continue the perfection and priority of the security interest of the Secured Party in the Collateral, or to facilitate the exercise by the Secured Party of any rights or remedies granted to the Secured Party hereunder or provided by law. Without limiting the foregoing, the Debtor agrees to execute, in form and substance reasonably satisfactory to the Secured Party, such financing statements, amendments thereto, supplemental agreements, assignments, notices of assignments, and other instruments and documents as the Secured Party may from time to time reasonably request. In addition, in the event the Collateral or any part thereof consists of instruments, documents, chattel paper, or money (whether or not proceeds of the Collateral), the Debtor shall, upon the request of the Secured Party, deliver possession thereof to the Secured Party (or to an agent of the Secured Party retained for that purpose), together with any appropriate endorsements and/or assignments. Where Collateral is in the possession of a third party, the Debtor will join with the Secured Party in notifying the third party of the Secured Party's security interest and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of the Secured Party. The Debtor will cooperate with the Secured Party in obtaining control with respect to Collateral consisting of deposit accounts (that are not held by the Secured Party as depositary institution), investment property, letter-of-credit rights and electronic chattel paper. The Secured Party shall use reasonable care in the custody and preservation of such Collateral in its possession, but shall not be required to take any steps necessary to preserve rights against prior parties. All costs and expenses incurred by the Secured Party to establish, perfect, maintain, determine the priority of, or release the security interest granted hereunder (including the cost of all filings, recordings, and taxes thereon and the fees and expenses of any agent retained by Secured Party) shall become part of the Obligations secured hereby and be paid by the Debtor on demand.

H. Insurance. The Debtor shall maintain such property and casualty insurance as required under the Agreement. All such policies shall provide for loss payable clauses or endorsements and other terms and conditions in form and content acceptable to the Secured Party. Upon the request of the Secured Party, all policies (or such other proof of compliance with this Section as may be satisfactory to the Secured Party) shall be delivered to the Secured Party. The Debtor shall pay all insurance premiums when due. In the event of loss, damage, or injury to any insured Collateral, the Secured Party shall have full power to collect any and all insurance proceeds due under any of such policies (and the Debtor hereby agrees, upon request by the Secured Party, to promptly forward to the Secured Party all such insurance proceeds received directly by the Debtor), and may, at its option, apply such proceeds to the payment of any of the Obligations secured hereby, or may apply such proceeds to the repair or replacement of such Collateral.

I. Taxes, Levies, Etc. The Debtor has paid and shall continue to pay when due all taxes, levies, assessments, or other charges which may become an enforceable lien against the Collateral.

J. Disposition and Use of Collateral by the Debtor. Except as expressly permitted under the Credit Agreement, without the prior written consent of the Secured Party, the Debtor shall not at any time sell, transfer, lease, abandon, or otherwise dispose of any Collateral, except that, so long as the Debtor is not in default hereunder, the Debtor may sell, transfer, lease, abandon, or otherwise dispose of any Collateral in the ordinary course of Debtor's business. The Debtor shall not use any of the Collateral in any manner which violates any statute, regulation, ordinance, rule, decree, order, or insurance policy.

K. Receivables. The Debtor shall preserve, enforce, and collect all accounts, chattel paper, electronic chattel paper, instruments, documents and general intangibles, whether now owned or hereafter acquired or arising (the "**Receivables**"), in a diligent fashion and, upon the request of the Secured Party, the Debtor shall execute an agreement in form and substance satisfactory to the Secured Party by which the Debtor shall direct all account debtors and obligors on Receivables to make payment to a lock box deposit account under the exclusive control of the Secured Party.

L. Condition of Collateral. All tangible Collateral is now in good repair and condition (ordinary wear and tear excepted) and except as expressly permitted under the Credit Agreement, the Debtor shall at all times hereafter, at its own expense, maintain all such Collateral in good repair and condition (ordinary wear and tear excepted).

M. Condition of Books and Records. The Debtor has maintained and shall maintain complete, accurate and up-to-date books, records, accounts, and other information relating to all Collateral in such form and in such detail as may be satisfactory to the Secured Party, and shall allow the Secured Party or its representatives at any reasonable time to examine and copy such books, records, accounts, and other information.

N. Right of Inspection. At all reasonable times upon the request of the Secured Party, the Debtor shall allow the Secured Party or its representatives to visit any of the Debtor's properties or locations so that the Secured Party or its representatives may confirm, inspect and appraise any of the Collateral.

SECTION 4. RIGHTS AND REMEDIES. If an Event of Default as defined under the Agreement (an "**Event of Default**") shall have occurred and be continuing, the Secured Party may exercise any and all rights and remedies of the Secured Party in the enforcement of its security interest under the UCC, this Security Agreement, or any other applicable law. Without limiting the foregoing:

A. Disposition of Collateral. Upon and during the existence of an Event of Default, the Secured Party may sell, lease, or otherwise dispose of all or any part of the Collateral, in its then present condition or following any commercially reasonable preparation or processing thereof, whether by public or private sale or at any brokers' board, in lots or in bulk, for cash, on credit or otherwise, with or without representations or warranties, and upon such other terms as may be acceptable to the Secured Party, and the Secured Party may purchase at any public sale. At any time when advance notice of sale is required, the Debtor agrees that ten days' prior written notice shall be reasonable. In connection with the foregoing, the Secured Party may:

1. require the Debtor to assemble the Collateral and all records pertaining thereto and make such Collateral and records available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties;

2. enter the premises of the Debtor or premises under the Debtor's control and take possession of the Collateral;

3. without charge, use or occupy the premises of the Debtor or premises under the Debtor's control, including without limitation, warehouse and other storage facilities;

4. without charge, use any patent, trademark, tradename, or other intellectual property or technical process used by the Debtor in connection with any of the Collateral; and

5. rely conclusively upon the advice or instructions of any one or more brokers or other experts selected by the Secured Party to determine the method or manner of disposition of any of the Collateral and, in such event, any disposition of the Collateral by the Secured Party in accordance with such advice or instructions shall be deemed to be commercially reasonable.

B. Collection of Receivables. Upon and during the existence of an Event of Default, the Secured Party may, but shall not be obligated to, take all actions reasonable or necessary to preserve, enforce or collect the Receivables, including without limitation, the right to notify account debtors and obligors on Receivables to make direct payment to the Secured Party, to permit any extension, compromise, or settlement of any of the Receivables for less than face value, or to sue on any Receivable, all without prior notice to the Debtor.

C. Proceeds. Upon and during the existence of an Event of Default, the Secured Party may collect and apply all proceeds of the Collateral, and may endorse the name of the Debtor in favor of the Secured Party on any and all checks, drafts, money orders, notes, acceptances, or other instruments of the same or a different nature, constituting, evidencing, or relating to the Collateral. The Secured Party may receive and open all mail addressed to the Debtor and remove therefrom any cash or non-cash items of payment constituting proceeds of the Collateral.

D. Insurance Adjustments. Upon and during the existence of an Event of Default, the Secured Party may adjust, settle, and cancel any and all insurance covering any Collateral, endorse the name of the Debtor on any and all checks or drafts drawn by any insurer, whether representing payment for a loss or a return of unearned premium, and execute any and all proofs of claim and other documents or instruments of every kind required by any insurer in connection with any payment by such insurer.

The net proceeds of any disposition of the Collateral may be applied by the Secured Party, after deducting its reasonable expenses incurred in such disposition, to the payment in whole or in part of the Obligations in such order as the Secured Party may elect. The enumeration of the foregoing rights and remedies is not intended to be exhaustive, and the exercise of any right and/or remedy shall not preclude the exercise of any other rights or remedies, all of which are cumulative and non-exclusive.

SECTION 5. OTHER PROVISIONS.

A. Amendment, Modification, and Waiver. Without the prior written consent of the Secured Party, no amendment, modification, or waiver of, or consent to any departure by the Debtor from, any provision hereunder shall be effective. Any such amendment, modification, waiver, or consent shall be effective only in the specific instance and for the specific purpose for which given. No delay or failure by the Secured Party to exercise any remedy hereunder shall be deemed a waiver thereof or of any other remedy hereunder. A waiver on any one occasion shall not be construed as a bar to or waiver of any remedy on any subsequent occasion.

B. Costs and Attorneys' Fees. Except as prohibited by law, if at any time the Secured Party employs counsel in connection with the creation, perfection, preservation, or release of the Secured Party's security interest in the Collateral or the enforcement of any of the Secured Party's rights or remedies hereunder, all of the Secured Party's reasonable attorneys' fees arising from such services and all expenses, costs, or charges relating thereto shall become part of the Obligations secured hereby and be paid by the Debtor on demand.

C. No Obligation to Make Loans. Nothing contained herein or in any financing statement or other document executed or filed in connection herewith (other than the Agreement and the Notes, to the extent obligations arise thereunder) shall be construed to obligate the Secured Party to make any loans or advances to the Debtor, whether pursuant to a commitment or otherwise.

D. Revival of Obligations. To the extent the Debtor or any third party makes a payment or payments to the Secured Party or the Secured Party enforces its security interest or exercises any right of setoff, and such payment or payments or the proceeds thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, and/or required to be repaid to a trustee, receiver, or any other party under any bankruptcy, insolvency or other law or in equity, then, to the extent of such recovery, the Obligations or any part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment or payments had not been made, or such enforcement or setoff had not occurred.

E. Performance by the Secured Party. In the event the Debtor shall at any time fail to pay or perform punctually any of its duties hereunder, the Secured Party may, at its option and without notice to or demand upon the Debtor, without obligation and without waiving or diminishing any of its other rights or remedies hereunder, fully perform or discharge any of such duties. All costs and expenses incurred by the Secured Party in connection therewith, together with interest thereon at the Secured Party's CoBank Base Rate plus four percent per annum, shall become part of the Obligations secured hereby and be paid by the Debtor upon demand.

F. Indemnification, Etc. The Debtor hereby expressly indemnifies and holds the Secured Party harmless from any and all claims, causes of action, or other proceedings, and from any and all liability, loss, damage, and expense of every nature, arising by reason of the Secured Party's enforcement of its rights and remedies hereunder, or by reason of the Debtor's failure to comply with any environmental or other law or regulation. As to any action taken by the Secured Party hereunder, the Secured Party shall not be liable for any error of judgment or mistake of fact or law, absent gross negligence or willful misconduct on its part.

G. Power of Attorney. The Debtor hereby appoints the Secured Party or the Secured Party's designee as its attorney-in-fact, which appointment is irrevocable, durable, and coupled with an interest, with full power of substitution, in the name of the Debtor or in the name of the Secured Party, upon and during the existence of an Event of Default, to take any action which the Debtor is obligated to perform hereunder or which the Secured Party may deem necessary or advisable to accomplish the purposes of this Security Agreement. In taking any action in accordance with this Section, the Secured Party shall not be deemed to be the agent of the Debtor. The powers conferred upon the Secured Party in this Section are solely to protect its interest in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers.

H. Continuing Effect. This Security Agreement, the Secured Party's security interest in the Collateral, and all other documents or instruments contemplated hereby shall continue in full force and effect until all of the Obligations have been satisfied in full, the Secured Party has no commitment to make any further advances to the Debtor, and the Debtor has sent a valid written demand to the Secured Party for termination of this Security Agreement.

I. Binding Effect. This Security Agreement shall be binding upon and inure to the benefit of the Debtor and the Secured Party and their respective successors and assigns.

J. Security Agreement as Financing Statement and Authorization to File. A photographic copy or other reproduction of this Security Agreement may be used as a financing statement. In addition, the Debtor authorizes the Secured Party to prepare and file financing statements describing the Collateral, amendments thereto, and continuation statements and file any financing statement, amendment thereto or continuation statement electronically. In addition, the Debtor authorizes the Secured Party to file financing statements describing any agricultural liens or other statutory liens held by the Secured Party.

K. Governing Law. Subject to any applicable federal law, this Security Agreement shall be construed in accordance with and governed by the laws of the State of Colorado, except to the extent that the UCC provides for the application of the law of another state.

L. Notices. All notices, requests, demands, or other communications required or permitted hereunder shall be given as provided in Section 10.4 of the Agreement.

M. Severability. The determination that any term or provision of this Security Agreement is unenforceable or invalid shall not affect the enforceability or validity of any other term or provision hereof.

IN WITNESS WHEREOF, the Debtor has executed this Security Agreement by its duly authorized officer as of the day and year shown below.

Date: December 15, 2016

Debtor: PACIFIC AURORA, LLC, a Delaware limited liability company,

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

Debtor: PACIFIC ETHANOL AURORA EAST, LLC, a Delaware limited liability company,

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

Debtor: PACIFIC ETHANOL AURORA WEST, LLC, a Delaware limited liability company,

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

SCHEDULE A

To Security Agreement Dated December 15, 2016

Executed By: **PACIFIC AURORA, LLC**, **PACIFIC ETHANOL AURORA EAST, LLC** and **PACIFIC ETHANOL AURORA WEST, LLC**

Set forth below are the present locations (by county and state) of the Debtor's fixtures.

County: Hamilton State: Nebraska

SCHEDULE B

To Security Agreement Dated December 15, 2016

Executed By: **PACIFIC AURORA, LLC**, **PACIFIC ETHANOL AURORA EAST, LLC** and **PACIFIC ETHANOL AURORA WEST, LLC**

Set forth below is an explanation of any changes within the past one (1) year to the Debtor's name, identity or corporate structure through incorporation, merger, consolidation, joint venture or otherwise.

Pacific Aurora, LLC ("PAL")

1. PAL was formed as a Delaware limited liability company on November 9, 2016.

Pacific Ethanol Aurora West, LLC ("AW")

1. AW was formed on August 2, 2006, as a Delaware limited liability company named Aventine Renewable Energy – Aurora West, LLC.

2. On July 15, 2015, AW filed a Certificate of Amendment with the Secretary of State of the State of Delaware, changing its name from "Aventine Renewable Energy – Aurora West, LLC" to "Pacific Ethanol Aurora West, LLC."

Pacific Ethanol Aurora East, LLC ("AE")

1. AE was formed on November 1, 1993, as a Kansas limited liability company named Nebraska Energy, L.L.C.

2. On July 15, 2015, AE filed with the Secretary of State of the State of Delaware (a) a Certificate of Conversion from a Non-Delaware Limited Liability Company to a Delaware Limited Liability Company, converting from Nebraska Energy, L.L.C., a Kansas limited liability company to Pacific Ethanol Aurora East, LLC, a Delaware limited liability company and (b) a Limited Liability Company Certificate of Formation forming Pacific Ethanol Aurora East, LLC, a Delaware limited liability company.

3. On July 15, 2015, AE filed a Certificate of Domestication to a Foreign State or Country with the Secretary of State of the State of Kansas pursuant to its conversion from a Kansas limited liability company to a Delaware limited liability company.

Exhibit 10.9

WORKING CAPITAL MAINTENANCE AGREEMENT

THIS WORKING CAPITAL MAINTENANCE AGREEMENT (as amended, restated, modified or supplemented from time to time, the "**Agreement**") is dated as of December 15, 2016, and is entered into by and between AURORA COOPERATIVE ELEVATOR COMPANY, a Nebraska cooperative corporation ("**ACE**"), and PACIFIC ETHANOL, INC., a corporation organized and existing under the laws of Delaware ("**PEI**") (ACE and PEI are hereinafter referred to individually and collectively as the "**Contributor**"), in favor of COBANK, ACB, a federally-chartered instrumentality of the United States ("**CoBank**") .

RECITALS

WHEREAS, Pacific Aurora, LLC, a limited liability company organized and existing under the laws of Delaware ("**PAL**"), Pacific Ethanol Aurora East, LLC, a limited liability company organized and existing under the laws of Delaware ("**AE**"), and Pacific Ethanol Aurora West, LLC, a limited liability company organized and existing under the laws of Delaware ("**AW**") (PAL, AE and AW are hereinafter referred to individually and collectively as the "**Company**"), and CoBank have entered into that certain Credit Agreement dated of even date herewith (as amended, restated, modified or supplemented from time to time, the "**Credit Agreement**");

WHEREAS, Contributor has a direct or indirect ownership interest in the Company and will derive substantial economic benefits from the loans made by CoBank to the Company under the Credit Agreement; and

WHEREAS, it is a condition precedent to CoBank making the loans to the Company under the Credit Agreement that Contributor execute and deliver to Lender a working capital maintenance agreement in substantially the form hereof, and Contributor desires to satisfy such condition precedent;

NOW, THEREFORE, for and in consideration of the premises set forth above, which are incorporated into the Agreement by this reference, the terms and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be bound hereby, Contributor agrees as follows:

AGREEMENT

SECTION 1 Certain Definitions and Rules of Construction. Capitalized terms not otherwise defined in this Agreement shall have the respective meanings ascribed to them by the Credit Agreement, including Annex A thereto, and the Rules of Construction set forth in such Annex A shall apply to this Agreement.

SECTION 2 Contribution of Capital. Contributor agrees to contribute capital to PAL from time to time in accordance with this Agreement to ensure that the Company maintains the minimum Working Capital threshold of the Consolidated Group required under Section 8.1 of the Credit Agreement (the "**Working Capital Threshold**"). In the event that, at the end of any calendar month, the Working Capital of the Consolidated Group is less than the Working Capital Threshold required for such month, Contributor shall, jointly and severally, pay cash to PAL, as an equity contribution and not as a loan (except with the prior written consent of CoBank, which consent, if given, may be subject to the execution of a subordination agreement in form and substance satisfactory to CoBank), in an amount necessary to increase the Working Capital of the Consolidated Group to the Working Capital Threshold (the "**Capital Contribution**"). Contributor shall make all Capital Contributions no later than (a) three (3) days after the Company delivers its Compliance Certificate to CoBank for the applicable calendar month or (b) thirty-three (33) days after the end of the applicable calendar month, whichever occurs first, and shall contemporaneously deliver to CoBank evidence of such Capital Contribution reasonably satisfactory to CoBank. Contributor agrees that any Capital Contribution shall be deemed to be an equity contribution to the capital of PAL and such payment shall not be deemed a loan or cause Contributor to be a creditor of PAL or the Company (except with the prior written consent of CoBank, which consent, if given, may be subject to the execution of a subordination agreement in form and substance satisfactory to CoBank). For the avoidance of doubt, any Capital Contribution required to be made by PEI may be made by PEI through PEC.

SECTION 3 Limitation on Working Capital Contributions. Notwithstanding any provision in this Agreement to the contrary, the obligations of Contributor under this Agreement shall be limited to the aggregate of Fifteen Million Dollars ($15,000,000) in Capital Contributions.

SECTION 4 Joint and Several Obligations. Contributor's obligations hereunder shall be joint and several, and independent of the obligations under any other Loan Documents and any Obligations of the Company, and a separate action or actions may be brought and prosecuted against Contributor whether action is brought against the Company or whether the Company be joined in any such action or actions; and Contributor waives the benefit of any statutes of limitations or right to reduction, setoff or other modification affecting its liability hereunder or the enforcement thereof. Contributor's obligations under this Agreement shall be primary, absolute and unconditional, irrespective of, and unaffected by (a) changes in the ownership of the Company resulting in Contributor's ownership interest, direct or indirect, being increased, reduced or eliminated; (b) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, the Credit Agreement or any other Loan Document; and (c) the absence of any action to enforce the Credit Agreement or any other Loan Documents or the waiver or consent by CoBank with respect to any of the provisions of the Credit Agreement or any other Loan Document.

SECTION 5 Authorities of CoBank. Contributor authorizes CoBank, without notice or demand and without affecting liability hereunder, from time to time, to (a) grant additional credit to the Company, or renew, compromise, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of, the Obligations or any part thereof, including increase or decrease of the rate of interest thereon; (b) amend or modify the Working Capital Threshold, the time for measuring the Working Capital Threshold or any provisions relating to the Working Capital Threshold; (c) amend or modify, in any manner whatsoever, the Credit Agreement or other Loan Documents; (d) take any action under or in respect of the Credit Agreement or other Loan Documents in exercise of any remedy, power or privilege contained therein or available to it at law, equity or otherwise, or waive or refrain from exercising any such remedies, powers or privileges; and (e) extend or waive the time for any of Contributor's or the Company's performance of, or compliance with, any term, covenant or agreement on its part to be performed or observed under the Credit Agreement or other Loan Documents, or waive such performance or compliance or consent to a failure of, or departure from, such performance or compliance..

SECTION 6 Waivers. Contributor hereby expressly waives to the extent permitted by applicable law:

(a) Any right to require CoBank, as a condition to proceeding against Contributor, to (i) proceed against the Company or any other person; (ii) proceed against or exhaust any security held from the Company; or (iii) pursue any other remedy in CoBank's power whatsoever.

(b) Any defense arising by reason of any disability or other defense or counter-claim that the Company may assert on the underlying debt, including but not limited to failure of consideration, breach of warranty, fraud, statute of frauds, bankruptcy, statute of limitations, lender liability, accord and satisfaction, and usury or by reason of the cessation from any cause whatsoever of the liability of the Company.

(c) The pleading or assertion of any defense based on the failure of CoBank to keep Contributor informed of the financial and business status of the Company, it being expressly acknowledged by Contributor that it is Contributor's responsibility to keep so informed.

(d) All setoffs and counterclaims, and all presentments, demands for performance, notices of nonperformance, protests, notices of dishonor, notices of sale of foreclosure of any security for the payment of the Obligations under the Credit Agreement, and notices of acceptance of this Agreement and of the existence, creation, of incurring or new or additional Indebtedness.

CONTRIBUTOR WARRANTS AND AGREES THAT EACH OF THE WAIVERS SET FORTH IN THIS AGREEMENT IS MADE WITH CONTRIBUTOR'S FULL KNOWLEDGE OF ITS SIGNIFICANCE AND CONSEQUENCES AND THAT, UNDER THE CIRCUMSTANCES, THE WAIVERS ARE REASONABLE AND NOT CONTRARY TO PUBLIC POLICY OR LAW. IF ANY SUCH WAIVER IS DETERMINED TO BE CONTRARY TO ANY APPLICABLE LAW OR PUBLIC POLICY, SUCH WAIVER SHALL BE EFFECTIVE ONLY TO THE EXTENT PERMITTED BY LAW OR PUBLIC POLICY.

SECTION 7 No Waiver. No exercise or nonexercise of any right hereby given CoBank, no dealing by CoBank with the Company, no change, impairment, or suspension of any of CoBank's rights or remedies, shall in any way affect any of the obligations of Contributor hereunder nor give Contributor any recourse against CoBank. Contributor represents to CoBank that Contributor is now and will be completely familiar with the business, operation, and condition of the Company, and Contributor waives any right to require CoBank to notify Contributor of any facts concerning the Company, unknown to Contributor, material or otherwise, which might affect the relationship of CoBank, Contributor and the Company.

SECTION 8 Contributor's Representations. Contributor represents and warrants that: (a) the authorization, execution, delivery and performance by Contributor of this Agreement are within Contributor's powers; (b) this Agreement has been duly authorized, executed and delivered by Contributor, and constitutes a valid and binding obligation of Contributor, enforceable against it in accordance with its respective terms; (c) the execution, delivery and performance by Contributor of this Agreement (i) does not require any consent or approval of, registration or filing with, or any action by, any governmental body, agency, authority or any other person, except those as have been obtained or made and are in full force and effect, (ii) will not violate any applicable governmental rules, or the organizational or governing documents and agreements of Contributor and (iii) will not violate or result in a default under any indenture, agreement or other instrument binding on Contributor or any of Contributor's assets or give rise to a right thereunder to require any payment to be made by Contributor.

SECTION 9 Costs of Enforcement. Contributor agrees to pay the attorneys' fees of CoBank and all other costs and expenses which may be incurred by CoBank in the enforcement of this Agreement.

SECTION 10 Remedies Cumulative. This Agreement is entered into in favor of and to the benefit of Cobank and CoBank shall be entitled to enforce the terms and provisions hereof, including Contributor's obligations to make any Capital Contribution, from time to time against Contributor as often as occasion therefor may arise and without the requirement that CoBank exhaust any other remedies available to it. CoBank's rights under this Agreement are cumulative and not alternative, and shall not be exhausted by CoBank's exercise of any one or more rights hereunder, or otherwise, or by any number of successive actions, unless and until all Obligations of the Company under the Credit Agreement and Contributor hereunder have been paid or performed. The liability under this Agreement shall continue notwithstanding the incapacity or disability of Contributor, and its benefits shall inure to CoBank's successors and assigns. CoBank may assign this Agreement, in whole or in part, without notice to Contributor. Contributor waives all exemptions and all setoffs and counterclaims.

SECTION 11 Continuing Obligations. Contributor's obligations under this Agreement shall not be discharged, and this Agreement shall remain in full force and effect, until all of the Obligations under the Credit Agreement have been satisfied in full, CoBank has no commitment to make any further advances to the Company under the Credit Agreement and Contributor has sent a valid written demand to CoBank for termination of this Agreement.

SECTION 12 Reinstatement of Agreement. This Agreement shall remain in full force and effect and continue to be effective in the event any petition is filed by or against Contributor or the Company for liquidation or reorganization, in the event Contributor or the Company becomes insolvent or makes an assignment for the benefit of creditors or in the event a receiver or trustee is appointed for all or any significant part of Contributor's or the Company's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations under the Credit Agreement, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by CoBank, whether as a "voidable preference", "fraudulent conveyance" or otherwise, all as though such payment or performance had not been made. In the event that any payment of the Obligations under the Credit Agreement, or any part thereof, is rescinded, reduced, restored or returned, the Obligations under the Credit Agreement or the part thereof so rescinded shall be reinstated, and Contributor's obligations hereunder shall be reinstated.

SECTION 13 Amendment. Neither this Agreement, nor any provision hereof, may be amended, modified, waived, or discharged except by an instrument in writing duly signed by, or on behalf of, CoBank.

SECTION 14 Severability. In case any right of CoBank herein shall be held to be invalid, illegal, or unenforceable, such invalidity, illegality and/or unenforceability shall not affect any other right granted hereby.

SECTION 15 Governing Law. This Agreement shall be deemed to be a contract under the Laws of the State of Colorado without regard to its conflict of laws principles.

SECTION 16 SUBMISSION TO JURISDICTION; SERVICE OF PROCESS; VENUE; WAIVER OF JURY TRIAL. CONTRIBUTOR HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN DENVER, COLORADO; PROVIDED THAT NOTHING CONTAINED IN THIS AGREEMENT WILL PREVENT COBANK FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST CONTRIBUTOR INDIVIDUALLY OR AGAINST ANY PROPERTY OF CONTRIBUTOR WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION. CONTRIBUTOR ACKNOWLEDGES AND AGREES THAT THE VENUE PROVIDED ABOVE IS THE MOST CONVENIENT FORUM FOR CONTRIBUTOR AND COBANK. CONTRIBUTOR WAIVES ANY OBJECTION TO VENUE AND ANY OBJECTION BASED ON A MORE CONVENIENT FORUM IN ANY ACTION INSTITUTED UNDER THIS AGREEMENT. CONTRIBUTOR AND COBANK EACH HEREBY WAIVE TRIAL BY JURY IN CONNECTION WITH ANY ACTION INSTITUTED UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

AURORA COOPERATIVE ELEVATOR COMPANY

By: /s/ Chris Vincent
Name: Chris Vincent
Title: Chief Executive Officer

PACIFIC ETHANOL, INC.

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

[Working Capital Maintenance Agreement Signature Page]