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

FORM 10-Q

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

For the quarterly period ended **September 30, 2024**

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

For the transition period from _____ to _____

Commission File Number: **000-21467**

ALTO INGREDIENTS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**41-2170618**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1300 South Second Street, Pekin, Illinois	**61554**
(Address of principal executive offices)	(zip code)

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

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

Title of each Class	**Trading Symbol**	**Name of Exchange on Which Registered**
Common Stock, $0.001 par value	ALTO	The Nasdaq Stock Market LLC (Nasdaq Capital Market)

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

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

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

Large accelerated filer ☐
Non-accelerated filer ☐
Emerging growth company ☐
Accelerated filer ☒
Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 7, 2024, there were 76,646,125 shares of Alto Ingredients, Inc. common stock, $0.001 par value per share, and 896 shares of Alto Ingredients, Inc. non-voting common stock, $0.001 par value per share, outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ALTO INGREDIENTS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2024 (unaudited)	December 31, 2023 *
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 33,591	$ 30,014
Restricted cash	4,903	15,466
Accounts receivable, net (net of allowance for credit losses of $50 and $85, respectively)	52,038	58,729
Inventories	48,014	52,611
Derivative instruments	36	2,412
Other current assets	6,568	9,538
Total current assets	145,150	168,770
Property and equipment, net	238,892	248,748
Other Assets:		
Right of use operating lease assets, net	19,283	22,597
Intangible assets, net	8,057	8,498
Other assets	6,029	5,628
Total other assets	33,369	36,723
Total Assets	$ 417,411	$ 454,241

* Amounts derived from the audited consolidated financial statements for the year ended December 31, 2023.

See accompanying notes to consolidated financial statements.

ALTO INGREDIENTS, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(in thousands, except par value)

	September 30, 2024 (unaudited)	December 31, 2023 *
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 17,205	$ 20,752
Accrued liabilities	14,255	20,205
Current portion – operating leases	4,440	4,333
Derivative instruments	3,394	13,849
Other current liabilities	5,808	6,149
Total current liabilities	45,102	65,288
Long-term debt, net	83,342	82,097
Operating leases, net of current portion	15,740	19,029
Other liabilities	9,302	8,270
Total Liabilities	153,486	174,684
Commitments and Contingencies (Note 6)		
Stockholders' Equity:		

Preferred stock, $0.001 par value; 10,000 shares authorized; Series A: 1,684 shares authorized; no shares issued and outstanding as of September 30, 2024 and December 31, 2023; Series B: 1,581 shares authorized; 927 shares issued and outstanding as of September 30, 2024 and December 31, 2023; liquidation preference of $18,075 as of September 30, 2024	1	1
Common stock, $0.001 par value; 300,000 shares authorized; 76,625 and 75,703 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	77	76
Non-voting common stock, $0.001 par value; 3,553 shares authorized; 1 share issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Additional paid-in capital	1,043,501	1,040,912
Accumulated other comprehensive income	2,481	2,481
Accumulated deficit	(782,135)	(763,913)
Total Stockholders' Equity	263,925	279,557
Total Liabilities and Stockholders' Equity	$ 417,411	$ 454,241

* Amounts derived from the audited consolidated financial statements for the year ended December 31, 2023.

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Net sales	$ 251,814	$ 318,127	$ 728,911	$ 949,315
Cost of goods sold	245,854	313,966	717,798	931,137
Gross profit	5,960	4,161	11,113	18,178
Selling, general and administrative expenses	(7,510)	(8,488)	(24,403)	(24,281)
Gain on sale of assets	830	—	830	—
Asset impairments	—	—	—	(574)
Loss from operations	(720)	(4,327)	(12,460)	(6,677)
Interest expense, net	(1,867)	(2,000)	(5,170)	(5,299)
Income from cash grant	—	2,812	—	2,812
Other income, net	146	26	358	104
Loss before provision for income taxes	(2,441)	(3,489)	(17,272)	(9,060)
Provision for income taxes	—	—	—	—
Net loss	$ (2,441)	$ (3,489)	$ (17,272)	$ (9,060)
Preferred stock dividends	$ (319)	$ (319)	$ (950)	$ (946)
Net loss available to common stockholders	$ (2,760)	$ (3,808)	$ (18,222)	$ (10,006)
Net loss per share, basic and diluted	$ (0.04)	$ (0.05)	$ (0.25)	$ (0.14)
Weighted-average shares outstanding, basic and diluted	73,835	73,191	73,364	73,464

See accompanying notes to consolidated financial statements.

ALTO INGREDIENTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2024	**2023**
Operating Activities:		
Net loss	$ (17,272)	$ (9,060)
Adjustments to reconcile net loss to Net cash provided by operating activities:		
Depreciation and amortization	17,860	17,382
Gains on derivative instruments	(9,002)	(2,463)
Gain on sale of assets	(830)	—
Asset impairments	—	574
Stock-based compensation	3,650	2,718
Amortization of deferred financing fees	761	793
Amortization of debt discount	602	599
Credit loss recovery	(23)	(54)
Changes in operating assets and liabilities:		

Accounts receivable	6,714	2,644
Inventories	8,434	9,536
Other assets	4,702	3,253
Operating leases	(4,424)	(4,014)
Accounts payable and accrued liabilities	(4,903)	(11,679)
Net cash provided by operating activities	6,269	10,229
Investing Activities:		
Additions to property and equipment	(9,788)	(24,611)
Proceeds from sale of assets	400	—
Deferred purchase price payments for Eagle Alcohol	(2,800)	(3,500)
Net cash used in investing activities	(12,188)	(28,111)
Financing Activities:		
Net (payments on) proceeds from Kinergy's line of credit	(117)	6,847
Stock repurchases	—	(2,683)
Preferred stock dividends paid	(950)	(946)
Net cash (used in) provided by financing activities	(1,067)	3,218
Net change in cash, cash equivalents and restricted cash	(6,986)	(14,664)
Cash, cash equivalents and restricted cash at beginning of period	45,480	49,525
Cash, cash equivalents and restricted cash at end of period	$ 38,494	$ 34,861
Reconciliation of total cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 33,591	$ 26,162
Restricted cash	4,903	8,699
Total cash, cash equivalents and restricted cash	$ 38,494	$ 34,861
Supplemental Information:		
Interest paid	$ 6,211	$ 6,063
Proceeds from sale of assets – note receivable	$ 1,012	$ —
ROU Assets obtained in exchange for new lease obligations	$ —	$ 7,167
Capitalized interest	$ 2,411	$ 2,185

See accompanying notes to consolidated financial statements.

ALTO INGREDIENTS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited, in thousands)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accum. Other Comprehensive	
	Shares	Amount	Shares	Amount	Capital	Deficit	Income	Total
Balances, January 1, 2024	927	$ 1	75,703	$ 76	$ 1,040,912	$ (763,913)	$ 2,481	$ 279,557
Stock-based compensation	—	—	—	—	1,142	—	—	1,142
Restricted stock issued to employees and directors, net of cancellations and tax	—	—	1,315	1	(1)	—	—	—
Preferred stock dividends	—	—	—	—	—	(315)	—	(315)
Net loss	—	—	—	—	—	(11,725)	—	(11,725)
Balances, March 31, 2024	927	$ 1	77,018	$ 77	$ 1,042,053	$ (775,953)	$ 2,481	$ 268,659
Stock-based compensation	—	—	—	—	1,646	—	—	1,646
Restricted stock cancellations and tax, net of issuances to employees and directors	—	—	(373)	—	(1,060)	—	—	(1,060)
Preferred stock dividends	—	—	—	—	—	(316)	—	(316)
Net loss	—	—	—	—	—	(3,106)	—	(3,106)
Balances, June 30, 2024	927	$ 1	76,645	$ 77	$ 1,042,639	$ (779,375)	$ 2,481	$ 265,823
Stock-based compensation	—	—	—	—	862	—	—	862
Restricted stock cancellations and tax, net of issuances to employees and directors	—	—	(20)	—	—	—	—	—
Preferred stock dividends	—	—	—	—	—	(319)	—	(319)
Net loss	—	—	—	—	—	(2,441)	—	(2,441)
Balances, September 30, 2024	927	$ 1	76,625	$ 77	$ 1,043,501	$ (782,135)	$ 2,481	$ 263,925
Balances, January 1, 2023	927	$ 1	75,154	$ 75	$ 1,040,834	$ (734,643)	$ 1,822	$ 308,089
Stock-based compensation	—	—	—	—	752	—	—	752
Restricted stock issued to employees and directors, net of cancellations and tax	—	—	1,893	2	(8)	—	—	(6)
Stock repurchases	—	—	(860)	(1)	(1,681)	—	—	(1,682)
Preferred stock dividends	—	—	—	—	—	(312)	—	(312)
Net loss	—	—	—	—	—	(13,166)	—	(13,166)

Balances, March 31, 2023	927	$ 1	76,187	$ 76	$ 1,039,897	$ (748,121)	$ 1,822	$ 293,675
Stock-based compensation	—	—	—	—	959	—	—	959
Restricted stock issued to employees and directors, net of cancellations and tax	—	—	125	—	(120)	—	—	(120)
Stock repurchases	—	—	(389)	—	(1,001)	—	—	(1,001)
Preferred stock dividends	—	—	—	—	—	(315)	—	(315)
Net income	—	—	—	—	—	7,595	—	7,595
Balances, June 30, 2023	927	$ 1	75,923	$ 76	$ 1,039,735	$ (740,841)	$ 1,822	$ 300,793
Stock-based compensation	—	—	—	—	1,007	—	—	1,007
Restricted stock issued to employees and directors, net of cancellations and tax	—	—	192	—	5	—	—	5
Preferred stock dividends	—	—	—	—	—	(319)	—	(319)
Net income	—	—	—	—	—	(3,489)	—	(3,489)
Balances, September 30, 2023	927	$ 1	76,115	$ 76	$ 1,040,747	$ (744,649)	$ 1,822	$ 297,997

See accompanying notes to consolidated financial statements.

ALTO INGREDIENTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. ORGANIZATION AND BASIS OF PRESENTATION.

Organization and Business – The consolidated financial statements include, for all periods presented, the accounts of Alto Ingredients, Inc., a Delaware corporation, and its direct and indirect wholly-owned subsidiaries (collectively, the "Company"), including Kinergy Marketing LLC, an Oregon limited liability company ("Kinergy"), Alto Nutrients, LLC, a California limited liability company, Eagle Alcohol Company, LLC, a Delaware limited liability company ("Eagle Alcohol"), Alto Op Co., a Delaware corporation, Alto Pekin, LLC, a Delaware limited liability company, and Alto ICP, LLC, a Delaware limited liability company, and the Company's production facilities in Oregon and Idaho.

The Company produces and distributes renewable fuel, essential ingredients and specialty alcohols. The Company also specializes in break bulk distribution of specialty alcohols produced by the Company and third parties. The Company's production facilities in Pekin, Illinois are located in the heart of the Corn Belt. The Company's two production facilities in Oregon and Idaho are located in close proximity to both feed and renewable fuel customers.

The Company has a combined alcohol production capacity of 350 million gallons per year and produces, on an annualized basis, over 1.6 million tons of essential ingredients, such as dried yeast, corn protein meal, corn protein feed, corn germ, and distillers grains and liquid feed used in commercial animal feed and pet foods. In addition, the Company markets and distributes renewable fuel produced by third parties.

The Company focuses on five key markets: *Health, Home & Beauty*; *Food & Beverage*; *Industry & Agriculture; Essential Ingredients*; and *Renewable Fuels*. Products for the Health, Home & Beauty market include specialty alcohols used in mouthwash, cosmetics, pharmaceuticals, hand sanitizers, disinfectants and cleaners. Products for the Food & Beverage markets include grain neutral spirits used in alcoholic beverages and vinegar as well as corn germ used for corn oils. Products for Industry & Agriculture markets include alcohols and other products for paint applications and fertilizers. Products for Essential Ingredients markets include dried yeast, corn protein meal, corn protein feed, corn germ, and distillers grains and liquid feed used in commercial animal feed and pet foods. Products for Renewable Fuels markets include fuel-grade ethanol and distillers corn oil used as a feedstock for renewable diesel and biodiesel fuels.

As of September 30, 2024, all of the Company's production facilities were operating. In January 2024, the Company temporarily hot-idled its Magic Valley facility to minimize losses from negative regional crush margins and to expedite the installation of additional equipment needed to achieve the intended production rate, quality and consistency from the corn oil and high protein system at the facility. The Company restarted its Magic Valley facility in July 2024. As market conditions change, the Company may increase, decrease or idle production at one or more operating facilities or resume operations at any idled facility.

Basis of Presentation–Interim Financial Statements – The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Results for interim periods should not be considered indicative of results for a full year. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. The accounting policies used in preparing these consolidated financial statements are the same as those described in Note 1 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. All significant intercompany accounts and transactions have been eliminated in consolidation.

Accounts Receivable and Allowance for Credit Losses – Trade accounts receivable are presented at original invoice amount, net of the allowance for credit losses. The Company sells specialty alcohols to large consumer product companies, sells renewable fuel to gasoline refining and distribution companies, sells essential ingredients such as dried yeast for human and pet food and to animal feed customers, including distillers grains to export markets, sells those same and other feed products to dairy operators and animal feedlots and sells corn oil to poultry and biodiesel customers, in each case generally without requiring collateral.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects the Company's best estimate of the amounts that will not be collected. The Company regularly reviews accounts receivable and based on assessments of current customer creditworthiness, estimates the portion, if any, of the customer balance that will not be collected.

Of the accounts receivable balance, approximately $46,887,000 and $51,315,000 at September 30, 2024 and December 31, 2023, respectively, were used as collateral under Kinergy's operating line of credit. The allowance for credit losses was $50,000 and $85,000 as of September 30, 2024 and December 31, 2023, respectively. The Company recorded a credit reserve of $24,000 and credit loss recovery of $8,000 for the three months ended September 30, 2024 and 2023, respectively. The Company recorded a credit loss recovery of $23,000 and a credit loss recovery of $54,000 for the nine months ended September 30, 2024 and 2023, respectively. The Company does not have any off-balance sheet credit exposure related to its customers.

Share Repurchase Program – On September 12, 2022, the Company announced a share repurchase program under which it may repurchase up to $50 million of its common stock with an initial purchase authorization of $10 million. The Company's lender has further limited the Company's purchase authorization to $5 million. Amounts in excess of the purchase authorization of $5 million will require additional lender consent and amounts in excess of the initial purchase authorization of $10 million will require additional board and preferred stockholder authorization. The share repurchase program does not have an expiration date, does not require the repurchase of any particular amount of shares, and may be implemented, modified, suspended or discontinued in whole or in part at any time and without further notice. As repurchases are made, the Company will retire the shares, resulting in a reduction of issued and outstanding shares. For the nine months ended September 30, 2023, the Company repurchased an aggregate of 1,249,000 shares for $2,683,000 in cash. The Company did not repurchase any shares during the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024. As of September 30, 2024, total repurchases under the program since its inception equaled 2,036,000 shares for approximately $5,000,000 in cash.

Financial Instruments – The carrying values of cash and cash equivalents, restricted cash, accounts receivable, derivative assets, accounts payable, accrued liabilities and derivative liabilities are reasonable estimates of their fair values because of the short maturity of these items. The Company believes the carrying value of its long-term debt instruments are not considered materially different than fair value because they were recently issued.

Income from Cash Grant – In 2022, the Company applied for the USDA's Biofuel Producer Program ("BPP"). The program was created as part of the CARES Act in 2020, which allocated $700,000,000 to support biofuel producers who experienced market losses due to the pandemic. The cash grant is not required to be repaid. Since these funds are provided to subsidize historical losses of the Company, and are not required to be repaid, the Company accounted for the proceeds by analogy to International Accounting Standards 20, *Accounting for Government Grants and Disclosure of Government Assistance*, and reported the amount as income from cash grant in the accompanying consolidated statements of operations. The Company received $2,812,000 in cash from the BPP during the three and nine months ended September 30, 2023. The Company did not receive any such funds in the three and nine months ended September 30, 2024.

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

2. SEGMENTS.

The Company reports its financial and operating performance in three segments: (1) Pekin Campus production, which includes the production and sale of alcohols and essential ingredients produced at the Company's Pekin, Illinois campus (2) marketing and distribution, which includes marketing and merchant trading for Company-produced alcohols and essential ingredients on an aggregated basis, and sales of fuel-grade ethanol sourced from third parties, and (3) Western production, which includes the production and sale of fuel-grade ethanol and essential ingredients produced at the Company's two western production facilities on an aggregated basis, neither of which are individually so significant to be considered a separately reportable segment.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net Sales				
Pekin Campus, recorded as gross:				
Alcohol sales	$ 106,459	$ 128,554	$ 315,494	$ 388,629
Essential ingredient sales	41,217	51,634	127,297	169,220
Intersegment sales	321	363	927	1,120
Total Pekin Campus sales	147,997	180,551	443,718	558,969
Marketing and distribution:				
Alcohol sales, gross	$ 54,531	$ 58,805	$ 179,118	$ 215,741
Alcohol sales, net	71	74	169	292
Intersegment sales	2,862	3,392	8,002	8,734
Total marketing and distribution sales	57,464	62,271	187,289	224,767
Western production, recorded as gross:				
Alcohol sales	$ 36,395	$ 57,159	$ 74,084	$ 122,477
Essential ingredient sales	10,408	17,841	24,184	40,614
Intersegment sales	8	37	(122)	99
Total Western production sales	46,811	75,037	98,146	163,190
Corporate and other	2,733	4,060	8,565	12,342
Intersegment eliminations	(3,191)	(3,792)	(8,807)	(9,953)
Net sales as reported	$ 251,814	$ 318,127	$ 728,911	$ 949,315
Cost of goods sold:				
Pekin Campus	$ 141,823	$ 179,995	$ 423,135	$ 546,591
Marketing and distribution	53,553	58,051	176,676	212,923

Western production	49,079	73,584	112,762	165,401
Corporate and other	2,952	3,538	8,690	9,322
Intersegment eliminations	(1,553)	(1,202)	(3,465)	(3,100)
Cost of goods sold as reported	$ 245,854	$ 313,966	$ 717,798	$ 931,137
Gross profit (loss):				
Pekin Campus	$ 6,174	$ 556	$ 20,583	$ 12,378
Marketing and distribution	3,911	4,220	10,613	11,844
Western production	(2,268)	1,453	(14,616)	(2,211)
Corporate and other	(219)	522	(125)	3,020
Intersegment eliminations	(1,638)	(2,590)	(5,342)	(6,853)
Gross profit as reported	$ 5,960	$ 4,161	$ 11,113	$ 18,178
Loss before provision for income taxes:				
Pekin Campus	$ 1,997	$ (1,956)	$ 8,083	$ 3,716
Marketing and distribution	1,626	2,403	3,733	6,019
Western production	(4,119)	(20)	(21,075)	(6,497)
Corporate and other	(1,945)	(3,916)	(8,013)	(12,298)
	$ (2,441)	$ (3,489)	$ (17,272)	$ (9,060)
Depreciation and amortization:				
Pekin Campus	$ 5,328	$ 4,961	$ 15,733	$ 14,778
Western production	502	458	1,445	1,921
Corporate and other	228	228	682	683
	$ 6,058	$ 5,647	$ 17,860	$ 17,382
Interest expense, net of capitalized interest:				
Pekin Campus	$ 496	$ 108	$ 1,083	$ (527)
Marketing and distribution	98	111	291	713
Western production	619	678	1,848	173
Corporate and other	654	1,103	1,948	4,940
	$ 1,867	$ 2,000	$ 5,170	$ 5,299

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

	September 30, 2024	December 31, 2023
Total assets:		
Pekin Campus	$ 227,491	$ 251,048
Marketing and distribution	90,215	101,196
Western production	63,920	57,533
Corporate and other	35,785	44,464
	$ 417,411	$ 454,241

3. INVENTORIES.

Inventories consisted primarily of bulk ethanol, specialty alcohols, corn, essential ingredients and unleaded fuel, and are valued at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. Inventory is net of a valuation adjustment of $203,000 and $2,201,000 as of September 30, 2024 and December 31, 2023, respectively. Inventory balances consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Finished goods	$ 27,766	$ 35,765
Work in progress	4,788	5,063
Raw materials	9,858	10,313
Other	5,602	1,470
Total	$ 48,014	$ 52,611

4. DERIVATIVES.

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

Commodity Risk – Cash Flow Hedges – The Company uses derivative instruments to protect cash flows from fluctuations caused by volatility in commodity prices for periods of up to eighteen months to protect gross profit margins from potentially adverse effects of market and price volatility on alcohol sales and purchase commitments where the prices are set at a future date and/or if the contracts specify a floating or index-based price. In addition, the Company hedges anticipated sales of alcohol to minimize its exposure to the potentially adverse effects of price volatility. These derivatives may be designated and documented as cash flow hedges and effectiveness is evaluated by assessing the probability of the anticipated transactions and regressing commodity futures prices against the Company's

purchase and sales prices. Ineffectiveness, which is defined as the degree to which the derivative does not offset the underlying exposure, is recognized immediately in cost of goods sold. For the three and nine months ended September 30, 2024 and 2023, the Company did not designate any of its derivatives as cash flow hedges.

Commodity Risk – Non-Designated Hedges – The Company uses derivative instruments to lock in prices for certain amounts of corn and alcohols by entering into exchange-traded futures contracts or options for those commodities. These derivatives are not designated for hedge accounting treatment. The changes in fair value of these contracts are recorded on the balance sheet and recognized immediately in cost of goods sold. The Company recognized net losses of $2,566,000 and net losses $2,711,000 as the change in the fair value of these contracts for the three months ended September 30, 2024 and 2023, respectively. The Company recognized net gains of $9,002,000 and $2,463,000 as the change in the fair value of these contracts for the nine months ended September 30, 2024 and 2023, respectively.

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

	As of September 30, 2024			
	Assets		Liabilities	
Type of Instrument	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Cash collateral balance	Restricted cash	$ 4,903		
Commodity contracts	Derivative instruments	$ 36	Derivative instruments	$ 3,394

	As of December 31, 2023			
	Assets		Liabilities	
Type of Instrument	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Cash collateral balance	Restricted cash	$ 15,466		
Commodity contracts	Derivative instruments	$ 2,412	Derivative instruments	$ 13,849

The above amounts represent the gross balances of the contracts; however, the Company does have a right of offset with each of its derivative brokers, but the Company's intent is to close out positions individually, therefore, the positions are reported at gross.

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

		Realized Gains For the Three Months Ended September 30,	
Type of Instrument	Statements of Operations Location	2024	2023
Commodity contracts	Cost of goods sold	$ 3,633	$ 6,206
		$ 3,633	$ 6,206

		Realized Gains For the Nine Months Ended September 30,	
Type of Instrument	Statements of Operations Location	2024	2023
Commodity contracts	Cost of goods sold	$ 923	$ 3,980
		$ 923	$ 3,980

		Unrealized Losses For the Three Months Ended September 30,	
Type of Instrument	Statements of Operations Location	2024	2023
Commodity contracts	Cost of goods sold	$ (6,199)	$ (8,917)
		$ (6,199)	$ (8,917)

		Unrealized Gains (Losses) For the Nine Months Ended September 30,	
Type of Instrument	Statements of Operations Location	2024	2023
Commodity contracts	Cost of goods sold	$ 8,079	$ (1,517)
		$ 8,079	$ (1,517)

5. DEBT.

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

	September 30, 2024	December 31, 2023
Kinergy line of credit	$ 30,572	$ 30,690
Orion term loan	60,000	60,000
	90,572	90,690
Less unamortized debt discount	(3,291)	(3,893)
Less unamortized debt financing costs	(3,939)	(4,700)
Less current portion	—	—
Long-term debt	$ 83,342	$ 82,097

Excess Availability – As of September 30, 2024, Kinergy had $27.2 million in unused borrowing availability under its line of credit with Wells Fargo Bank and the Company had $65.0 million that may be available for capital improvement projects under its term loan with Orion Infrastructure Capital, subject to certain conditions. At September 30, 2024, the interest rates for the Kinergy line of credit and the Orion term loan were 6.43% and 10.00%, respectively.

6. COMMITMENTS AND CONTINGENCIES.

Sales Commitments – At September 30, 2024, the Company had entered into sales contracts with its major customers to sell certain quantities of alcohol and essential ingredients. The Company had open alcohol indexed-price contracts for 70,128,000 gallons as of September 30, 2024 and open fixed-price alcohol sales contracts totaling $112,966,000 as of September 30, 2024. The Company had open fixed-price sales contracts for essential ingredients totaling $6,797,000 and open indexed-price sales contracts of essential ingredients for 44,000 tons as of September 30, 2024. These sales contracts are scheduled to be completed throughout 2024 and 2025.

Purchase Commitments – At September 30, 2024, the Company had indexed-price purchase contracts to purchase 14,468,000 gallons of alcohol and fixed-price purchase contracts to purchase $1,517,000 of alcohol from its suppliers. The Company had fixed-price purchase contracts to purchase $23,996,000 of corn from its suppliers as of September 30, 2024. The Company had indexed-price purchase contracts for natural gas totaling 5,592,000 MMBTU as of September 30, 2024. The Company also had future commitments for certain capital projects totaling $8,616,000. These purchase commitments are scheduled to be satisfied throughout 2024 and 2025.

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

7. PENSION AND RETIREMENT BENEFIT PLANS.

The Company sponsors a defined benefit pension plan (the "Retirement Plan") and a healthcare and life insurance plan (the "Postretirement Plan").

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

The Company uses a December 31 measurement date for its Retirement Plan. The Company's funding policy is to make the minimum annual contribution required by applicable regulations. As of December 31, 2023, the Retirement Plan's accumulated projected benefit obligation was $18.6 million, with a fair value of plan assets of $18.5 million. The underfunded amount of $0.1 million is recorded on the Company's consolidated balance sheet in other liabilities.

For the three months ended September 30, 2024, the Retirement Plan's net periodic expense was $13,000, comprised of $222,000 in interest cost and $67,000 in service cost, partially offset by $276,000 of expected return on plan assets. For the nine months ended September 30, 2024, the Retirement Plan's net periodic expense was $39,000, comprised of $666,000 in interest cost and $201,000 in service cost, partially offset by $828,000 of expected return on plan assets. For the three months ended September 30, 2023, the Retirement Plan's net periodic expense was $39,000, comprised of $225,000 in interest cost and $62,000 in service cost, partially offset by $248,000 of expected return on plan assets. For the nine months ended September 30, 2023, the Retirement Plan's net periodic expense was $117,000, comprised of $675,000 in interest cost and $186,000 in service cost, partially offset by $744,000 of expected return on plan assets.

The Postretirement Plan provides postretirement medical benefits and life insurance to certain "grandfathered" unionized employees at the Company's Pekin, Illinois facility. Employees hired after December 31, 2000 are not eligible to participate in the Postretirement Plan. The Postretirement Plan is contributory, with contributions required at the same rate as active employees. Benefit eligibility under the plan reduces at age 65 from a defined benefit to a defined dollar cap based upon years of service. As of December 31, 2023, the Postretirement Plan's accumulated projected benefit obligation was $4.3 million and is recorded on the Company's consolidated balance sheet in other liabilities. The Company's funding policy is to make the minimum annual contribution required by applicable regulations.

For the three months ended September 30, 2024, the Postretirement Plan's net periodic expense was $54,000, comprised of $49,000 in interest cost and $5,000 in service cost. For the nine months ended September 30, 2024, the Postretirement Plan's net periodic expense was $162,000, comprised of $147,000 in interest cost and $15,000 in service cost. For the three months ended September 30, 2023, the Postretirement Plan's net periodic expense was $36,000, comprised of $46,000 of interest cost and $3,000 of service cost, partially offset by $13,000 in amortization of gains. For the nine months ended September 30, 2023, the Postretirement Plan's net periodic expense was $108,000, comprised of $138,000 of interest cost and $9,000 of service cost, partially offset by $39,000 in amortization of gains.

8. FAIR VALUE MEASUREMENTS.

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

- Level 1 – Observable inputs – unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data; and
- Level 3 – Unobservable inputs – includes amounts derived from valuation models where one or more significant inputs are unobservable. For fair value measurements using significant unobservable inputs, a description of the inputs and the information used to develop the inputs is required along with a reconciliation of Level 3 values from the prior reporting period.

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

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

The following table summarizes recurring and nonrecurring fair value measurements by level at September 30, 2024 (in thousands):

	Fair Value	Level 1	Level 2	Level 3
Assets:				
Derivative instruments	$ 36	$ 36	$ —	$ —
Liabilities:				
Derivative instruments	$ (3,394)	$ (3,394)	$ —	$ —

The following table summarizes recurring and nonrecurring fair value measurements by level at December 31, 2023 (in thousands):

	Fair Value	Level 1	Level 2	Level 3	Benefit Plan Percentage Allocation
Assets:					
Derivative instruments	$ 2,412	$ 2,412	$ —	$ —	
Defined benefit plan assets(1) (pooled separate accounts):					
Large U.S. Equity(2)	5,608	—	5,608	—	30%
Small/Mid U.S. Equity(3)	3,350	—	3,350	—	18%
International Equity(4)	2,682	—	2,682	—	15%
Fixed Income(5)	6,845	—	6,845	—	37%
	$ 20,897	$ 2,412	$ 18,485	$ —	
Liabilities:					
Derivative instruments	$ 13,849	$ 13,849	$ —	$ —	

(1) Included in other assets in the consolidated balance sheets.
(2) This category includes investments in funds comprised of equity securities of large U.S. companies. The funds are valued using the net asset value method in which an average of the market prices for the underlying investments is used to value the fund.
(3) This category includes investments in funds comprised of equity securities of small- and medium-sized U.S. companies. The funds are valued using the net asset value method in which an average of the market prices for the underlying investments is used to value the fund.
(4) This category includes investments in funds comprised of equity securities of foreign companies including emerging markets. The funds are valued using the net asset value method in which an average of the market prices for the underlying investments is used to value the fund.
(5) This category includes investments in funds comprised of U.S. and foreign investment-grade fixed income securities, high-yield fixed income securities that are rated below investment-grade, U.S. treasury securities, mortgage-backed securities, and other asset-backed securities. The funds are valued using the net asset value method in which an average of the market prices for the underlying investments is used to value the fund.

9. EARNINGS PER SHARE.

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

	Three Months Ended September 30, 2024		
	Loss Numerator	Shares Denominator	Per-Share Amount
Net loss	$ (2,441)		
Less: Preferred stock dividends	(319)		
Basic and diluted loss per share:			
Loss available to common stockholders	$ (2,760)	73,835	$ (0.04)

	Three Months Ended September 30, 2023

	Loss Numerator	Shares Denominator	Per-Share Amount
Net loss	$ (3,489)		
Less: Preferred stock dividends	(319)		
Basic and diluted loss per share:			
Loss available to common stockholders	$ (3,808)	73,191	$ (0.05)

	Nine Months Ended September 30, 2024		
	Loss Numerator	Shares Denominator	Per-Share Amount
Net loss	$ (17,272)		
Less: Preferred stock dividends	(950)		
Basic and diluted loss per share:			
Loss available to common stockholders	$ (18,222)	73,364	$ (0.25)

	Nine Months Ended September 30, 2023		
	Loss Numerator	Shares Denominator	Per-Share Amount
Net loss	$ (9,060)		
Less: Preferred stock dividends	(946)		
Basic and diluted loss per share:			
Loss available to common stockholders	$ (10,006)	73,464	$ (0.14)

There were an additional aggregate potentially dilutive weighted-average shares of 981,000 from convertible securities outstanding for the three and nine months ended September 30, 2024 and September 30, 2023. These securities were not considered in calculating diluted net income (loss) per share for the three and nine months ended September 30, 2024 and the three and nine months ended September 30, 2023, as their effect would have been anti-dilutive.

10. SUBSEQUENT EVENT.

On November 5, 2024, the Company entered into a CO_2 Transportation and Sequestration Agreement ("TSA") with Vault 44.01 to provide transportation, injection and sequestration into the Mt. Simon sandstone formation in Illinois of CO_2 produced at the Company's Pekin Campus. Under the TSA, Vault 44.01 will also manage the EPA permit approval process from submission to ultimate approval.

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

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

- fluctuations in the market prices of alcohols and essential ingredients;
- fluctuations in the costs of key production input commodities such as corn and natural gas;
- our ability to fund, and the costs, timing and effects of, our plant improvement initiatives and other capital projects, including our carbon capture and storage, or CCS, project;
- key regulatory developments relating to these projects or to our business;
- the projected growth or contraction in the alcohol and essential ingredients markets in which we operate;
- our strategies for expanding, maintaining or contracting our presence in these markets;
- anticipated trends in our financial condition and results of operations; and
- our ability to distinguish ourselves from our current and future competitors.

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

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

Overview

We produce and distribute renewable fuel and essential ingredients. We are also the largest producer of specialty alcohols in the United States.

We operate five alcohol production facilities. Three of our production facilities are located in Illinois, one is located in Oregon and another is located in Idaho. We have an annual alcohol production capacity of up to 350 million gallons, including both renewable fuel and specialty alcohols ranging from industrial-,

pharmaceutical-, and high-quality food- and beverage-grade alcohols. Of this amount, we are able to produce up to 110 million gallons annually of specialty alcohols, depending on our product mix among the highest quality beverage-grade alcohol and alcohols of other quality specifications. We market and distribute all of the alcohols produced at our facilities as well as alcohols produced by third parties. In 2023, we marketed and distributed approximately 383 million gallons combined of our own alcohols as well as fuel-grade ethanol produced by third parties, and over 1.5 million tons of essential ingredients on a dry matter basis.

We also specialize in break bulk distribution of specialty alcohols, through our Eagle Alcohol subsidiary, produced by us and third-parties. We then store, denature, package, and resell alcohol products in smaller sizes, including tank trucks, totes and drums that typically garner a premium price to bulk alcohols. We deliver products to customers in the beverage, food, industrial and related-process industries via our own dedicated trucking fleet and common carrier.

We report our financial and operating performance in three segments: (1) Pekin campus production, which includes the production and sale of alcohols and essential ingredients produced at our three production facilities located in Pekin, Illinois, which we refer to as our Pekin Campus, (2) marketing and distribution, which includes marketing and merchant trading for company-produced alcohols and essential ingredients on an aggregated basis, and sales of fuel-grade ethanol sourced from third parties, and (3) Western production, which includes the production and sale of renewable fuel and essential ingredients produced at our two western production facilities on an aggregated basis, none of which are individually so significant as to be considered a separately reportable segment.

Our mission is to produce the highest quality, sustainable ingredients from renewable resources that make everyday products better. We intend to accomplish this goal in part by investing in our specialized and higher value specialty alcohol production and distribution infrastructure, expanding production in high-demand essential ingredients, expanding and extending the sale of our products into new regional and international markets, building efficiencies and economies of scale and by capturing a greater portion of the value stream.

Production Segments

We produce specialty alcohols, renewable fuel and essential ingredients, focusing on five key markets: *Health, Home & Beauty*; *Food & Beverage*; *Industry & Agriculture; Essential Ingredients*; and *Renewable Fuels*. Products for the *Health, Home & Beauty* markets include specialty alcohols used in mouthwash, cosmetics, pharmaceuticals, hand sanitizers, disinfectants and cleaners. Products for the *Food & Beverage* markets include grain neutral spirits used in alcoholic beverages and vinegar as well as corn germ used for corn oils. Products for *Industry & Agriculture* markets include alcohols and other products for paint applications and fertilizers. Products for *Essential Ingredients* markets include dried yeast, corn protein meal, corn protein feed, corn germ, and distillers grains and liquid feed used in commercial animal feed and pet foods. We also sell yeast for human consumption. Our products for the *Renewable Fuels* markets include fuel-grade ethanol and distillers corn oil used as a feedstock for renewable diesel and biodiesel fuels.

We produce our alcohols and essential ingredients at our production facilities. Our production facilities located in Illinois are in the heart of the Corn Belt, benefit from relatively low-cost and abundant feedstock and enjoy logistical advantages that enable us to provide our products to both domestic and international markets via truck, rail or barge. Our production facilities located in Oregon and Idaho are near their respective fuel and feed customers, offering significant timing, transportation cost and logistical advantages.

All of our production facilities are currently operating. However, unless there are meaningful improvements in overall economics at our Magic Valley facility, we plan to idle the plant before the end of 2024, which we believe will have a positive impact on our financial results. In January 2024, we temporarily hot-idled our Magic Valley facility to minimize losses from negative regional crush margins and to expedite the installation of additional equipment needed to achieve the intended production rate, quality and consistency from the corn oil and high protein system at the facility. We restarted our Magic Valley facility in July 2024. As market conditions change, we may increase, decrease or idle production at one or more operating facilities or resume operations at any idled facility.

Marketing and Distribution Segment

We market and distribute all of the alcohols and essential ingredients we produce at our facilities. We also market and distribute alcohols produced by third parties.

We have extensive and long-standing customer relationships, both domestic and international, for our specialty alcohols and essential ingredients. These customers include producers and distributors of ingredients for cosmetics, sanitizers and related products, distilled spirits producers, food products manufacturers, producers of personal health/consumer health and personal care hygiene products, and global trading firms.

Our renewable fuel customers are located throughout the Western and Midwestern United States and consist of integrated oil companies and gasoline marketers who blend fuel-grade ethanol into gasoline. Our customers depend on us to provide a reliable supply of fuel-grade ethanol and manage the logistics and timing of delivery. Our customers collectively require fuel-grade ethanol volumes in excess of the supplies we produce at our facilities. We secure additional fuel-grade ethanol supplies from third-party ethanol producers. We arrange for transportation, storage and delivery of fuel-grade ethanol purchased by our customers through our agreements with third-party service providers in the Western United States as well as in the Midwest from a variety of sources.

We market food-grade essential ingredients to human and pet food markets, our feed products such as distillers grains primarily to export markets from our Pekin Campus, and other feed products to dairies and feedlots, in many cases located near our production facilities. These customers use our feed products for livestock as a substitute for corn and other sources of starch and protein. We sell our corn oil to poultry, renewable diesel and biodiesel customers. We do not market essential ingredients from other producers.

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

Current Initiatives and Outlook

In early November, we took a significant step forward in our commitment to sustainability by finalizing a definitive CO_2 Transportation and Sequestration Agreement with Vault 44.01 for our carbon capture and storage project, or CCS. Under the terms of the agreement, Vault will handle the transportation, injection and sequestration of CO_2 from our Pekin Campus to the Mt. Simon sandstone formation in Illinois. This partnership marks a critical milestone on our journey toward a more sustainable and prosperous future. While we await EPA submission and approval, address financing and source equipment, this agreement brings us closer to

achieving our goals of lowering our carbon footprint and monetizing the value of the biogenic CO_2 we produce at our Pekin Campus.

In the third quarter of 2024, we improved our consolidated gross profit to $6.0 million and improved our Adjusted EBITDA to $12.2 million, including $3.6 million in realized gains on derivatives for the quarter. These results were primarily driven by an increase in our production capabilities and uptime at our Pekin Campus, increasing its profitability despite fluctuating market conditions, compared to the third quarter of 2023. These results compare to $13.6 million of Adjusted EBITDA for the same period in 2023, including $6.2 million in realized gains on derivatives and a cash grant of $2.8 million from the USDA's Biofuel Producer Program.

The third quarter began with solid ethanol crush margins supported by strong exports. Domestic demand began to weaken as weather-related events reduced miles driven. Ethanol production remained relatively high, outpacing demand and resulting in higher ethanol inventory levels and lower market prices. In addition, in the third quarter, carbon prices were approximately 80% lower in Oregon and Washington and 20% lower in California compared to the third quarter of 2023. Although carbon prices remained low in October, we have begun to see some price recovery.

We increased productivity at our Pekin Campus wet mill to its highest level since 2020, reflecting in part the results of our successful biennial repairs and maintenance outage in April 2024. This translated into higher specialty alcohol production in the third quarter of 2024, reaching 42% of total sales volume at our Pekin Campus, seven percentage points higher than for the same period last year. We remain on track to sell 90 million gallons of specialty alcohols in 2024 and expect to match this volume in 2025.

For the fourth quarter, we expect corn prices to remain low, reflecting a good 2024 harvest, which we anticipate will result in a strong supply carryout and attractive prices into 2025. However, with domestic corn prices lower than international prices, demand for United States corn exports will likely increase, straining logistics and driving up transportation costs. Moreover, when domestic corn prices are low, suppliers typically require that prices cover at least their costs, driving up corn basis. This dynamic is one reason we expanded our corn storage capacity at our Pekin Campus and are considering a further increase in storage capacity at the site.

While higher corn transportation costs impact all ethanol producers, they have a more substantial impact on our Western operations, for which we source corn supplies from the Midwest, compared to Midwest ethanol producers that have access to local corn supplies and cheaper corn basis.

At our Magic Valley plant, we completed upgrades to Harvesting Technology's system to capture high protein and corn oil products and restarted the plant in July to prove out the system and benefit from the positive crush margins at the time. In October, the Magic Valley facility consistently achieved average ethanol production rates at full capacity, the protein content yield from the plant reached 50% or greater, and we were able to expand our corn oil yields. This successful restart and operation has informed us of the technology system's capabilities as we consider system deployment at our other dry mills. Unfortunately, recent increases in regional corn basis and declining market prices for protein and corn oil have resulted in overall margin compression, outweighing the economic benefits of our plant improvements. We will continue to explore operational opportunities and assess market trends, but unless there are meaningful improvements in overall economics at the facility, we plan to idle the plant before the end of 2024, which we believe will have a positive impact on our financial results.

To address these challenges, we continue to pursue opportunities to maximize the Western plants' strengths and advantages. We have engaged Guggenheim Securities to actively explore our alternatives to monetize or optimize these assets, including through potential partnerships.

Notably, while our Columbia facility is also experiencing margin compression, the combination of lower transportation costs, premiums earned on low-carbon ethanol and revenues generated from the sale of CO_2 make the plant more economically resilient than our Magic Valley facility.

We continue to modernize our equipment and facilities to improve reliability, lower our operating costs and reduce our carbon footprint. For example, we are currently building a second alcohol loading dock at our Pekin Campus. Our goal for the project is to improve our river logistics by expediting the shipping process, adding redundancy and expanding our capabilities to accommodate a wider array of barges. We expect this project will yield a synergistic effect with our existing facilities and increase overall loading efficiencies. Our anticipated project cost is $3.0 million. The project is scheduled for completion in 2025.

Sustainability

We recently completed our sustainability report for 2023 and increased our disclosures on topics such as environmental, health, safety, quality and social metrics. Our core values of responsibility, integrity and quality drive our mission to produce the highest quality, sustainable ingredients that make everyday products better. We proudly offer 100% bio-based renewable products from our specialty alcohols and essential ingredients to renewable fuels and plant-based proteins. At our highly efficient dry grind facilities, we are striving for carbon intensity scores below 50 by optimizing efficiency, upgrading energy infrastructure and selecting sustainable feedstocks. Our dedication to sustainability and social responsibility extends to our customers, employees, investors, partners, suppliers and consumers, as well as our focus on product quality and safety.

We conducted materiality assessments with internal and external stakeholders and identified multiple long-term market opportunities to viably expand our bio-based renewable offerings. The third-party certifications we earned include such areas as oversight on risk management; chemical storage, handling, transportation and disposal; multiple food safety initiatives; quality management; good manufacturing practices and requirements for all active pharmaceutical ingredients and excipient products; and supply chains for waste streams.

Derivatives

We employ a variety of risk management strategies to mitigate the price volatility of different commodities throughout the year as a normal course of business. These strategies may include managing the spread between corn and ethanol prices, otherwise known as the crush margin. We may also take positions on corn and natural gas. Currently, our core strategy is to hedge the premium over fuel grade ethanol of our specialty alcohol contracts that have fixed sales prices of up to one year or longer. Using derivatives, we lock-in certain premiums for the duration of the specialty alcohol contract over production that otherwise would be sold as ethanol. For positions that settle, we record the cumulative unrealized gains or losses on those positions since inception to realized. On the remaining unsettled positions, the change in market values measured at the end of the reporting period is reflected as unrealized. Unrealized amounts are not determinate of amounts that will be realized in future periods. However, we believe that the most accurate method to assess the value or obligation to be realized in the future, measured as of a specific date, is to note the amounts on our balance sheet. The net derivative asset or liability amount on the balance sheet denotes the amount that we would realize if we liquidated all of our positions as of that specific period-end date.

Use of Non-GAAP Financial Measures

Management believes that certain financial measures not in accordance with generally accepted accounting principles, or GAAP, are useful measures of operations. Management provides EBITDA and Adjusted EBITDA as non-GAAP financial measures so that investors will have the same financial information that management uses, which may assist investors in properly assessing our performance on a period-over-period basis.

We define EBITDA as unaudited consolidated net income (loss) before interest expense, interest income, provision for income taxes and depreciation and amortization expense. We define Adjusted EBITDA as unaudited consolidated net income (loss) before interest expense, interest income, unrealized derivative gains and losses, acquisition-related expense, asset impairments, provision for income taxes and depreciation and amortization expense.

A table is provided below to reconcile Adjusted EBITDA to its most directly comparable GAAP measure, consolidated net income (loss). EBITDA and Adjusted EBITDA are not measures of financial performance under GAAP and should not be considered as alternatives to consolidated net income (loss) or any other measure of performance under GAAP, or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. EBITDA and Adjusted EBITDA have limitations as analytical tools and you should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP.

Information reconciling forward-looking EBITDA or Adjusted EBITDA to forward-looking consolidated net income (loss) would require a forward-looking statement of consolidated net income (loss) prepared in accordance with GAAP, which is unavailable to us without unreasonable effort. We are not able to provide a quantitative reconciliation of forward-looking EBITDA or Adjusted EBITDA to forward-looking consolidated net income (loss) because certain items required for reconciliation are uncertain, outside of our control and/or cannot reasonably be predicted, such as net sales, cost of goods sold, unrealized derivative gains and losses, asset impairments and provision (benefit) for income taxes, which we view as the most material components of consolidated net income (loss) that are not presently estimable.

Reconciliation of Adjusted EBITDA to Consolidated Net Loss

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands) (unaudited)	2024	2023	2024	2023
Consolidated net loss	$ (2,441)	$ (3,489)	$ (17,272)	$ (9,060)
Adjustments:				
Interest expense, net	1,867	2,000	5,170	5,299
Interest income	(194)	(179)	(519)	(590)
Unrealized derivative (gains) losses	6,199	8,917	(8,079)	1,517
Acquisition-related expense	675	700	2,025	2,100
Asset impairments	—	—	—	574
Provision for income taxes	—	—	—	—
Depreciation and amortization expense	6,058	5,647	17,860	17,382
Total adjustments	14,605	17,085	16,457	26,282
Adjusted EBITDA	$ 12,164	$ 13,596	$ (815)	$ 17,222

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses for each period. We believe that of our significant accounting policies, the following critical accounting policies and estimates are those policies that we believe are the most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain: accounting for business combinations; revenue recognition; impairment of long-lived assets and held-for-sale classification; valuation allowance for deferred taxes and derivative instruments. Except as noted below, these significant accounting principles are more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2023.

Results of Operations

Selected Financial Information

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

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

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
	2024	2023	Variance	2024	2023	Variance
Alcohol Sales (gallons in millions)						
Pekin Campus renewable fuel gallons sold	31.1	34.4	(9.6)%	93.6	104.4	(10.3)%
Western production renewable fuel gallons sold	18.0	22.2	(18.9)%	38.2	46.6	(18.0)%
Third-party renewable fuel gallons sold	25.2	21.9	15.1%	89.3	82.4	8.4%
Total renewable fuel gallons sold	74.3	78.5	(5.4)%	221.1	233.4	(5.3)%
Specialty alcohol gallons sold	22.5	18.6	21.0%	69.8	56.6	23.3%

Total gallons sold	96.8	97.1	(0.3)%	290.9	290.0	0.3%
Sales Price per Gallon						
Pekin Campus	$ 2.02	$ 2.48	(18.5)%	$ 1.96	$ 2.46	(20.3)%
Western production	$ 2.02	$ 2.57	(21.4)%	$ 1.94	$ 2.63	(26.2)%
Marketing and distribution	$ 2.17	$ 2.69	(19.3)%	$ 2.01	$ 2.62	(23.3)%
Total	$ 2.06	$ 2.56	(19.5)%	$ 1.97	$ 2.53	(22.1)%
Alcohol Production (gallons in millions)						
Pekin Campus	53.4	51.8	3.1%	157.0	158.1	(0.7)%
Western production	19.2	22.5	(14.7)%	37.5	47.3	(20.7)%
Total	72.6	74.3	(2.3)%	194.5	205.4	(5.3)%
Corn Cost per Bushel						
Pekin Campus	$ 4.40	$ 6.29	(30.0)%	$ 4.55	$ 6.72	(32.3)%
Western production	$ 5.52	$ 7.37	(25.1)%	$ 5.69	$ 7.91	(28.1)%
Total	$ 4.68	$ 6.60	(29.1)%	$ 4.76	$ 6.98	(31.8)%
Average Market Metrics						
PLATTS Ethanol price per gallon	$ 1.81	$ 2.29	(21.0)%	$ 1.72	$ 2.31	(25.5)%
CME Corn cost per bushel	$ 3.92	$ 4.98	(21.3)%	$ 4.23	$ 5.94	(28.8)%
Board corn crush per gallon (1)	$ 0.41	$ 0.51	(19.6)%	$ 0.21	$ 0.19	10.5%
Essential Ingredients Sold (in thousands of tons)						
Pekin Campus						
Distillers grains	83.7	85.3	(1.9)%	251.1	252.5	(0.6)%
CO_2	53.5	48.9	9.4%	135.9	139.0	(2.2)%
Corn wet feed	30.0	28.3	6.0%	80.4	70.0	14.9%
Corn dry feed	26.5	22.1	19.9%	65.2	67.3	(3.1)%
Corn oil and germ	18.8	17.8	5.6%	54.1	55.6	(2.7)%
Syrup and other	8.0	9.2	(13.0)%	28.6	28.5	0.4%
Corn meal	9.8	8.2	19.5%	26.1	27.8	(6.1)%
Yeast	6.3	6.4	(1.6)%	17.8	19.7	(9.6)%
Total Pekin Campus	236.6	226.2	4.6%	659.2	660.4	(0.2)%
Western production						
Distillers grains	116.6	144.6	(19.4)%	250.2	307.7	(18.7)%
CO_2	14.7	14.9	(1.3)%	43.1	41.7	3.4%
Syrup and other	21.4	35.2	(39.2)%	37.6	71.6	(47.5)%
Corn oil	2.1	2.3	(8.7)%	4.5	5.2	(13.5)%
Total Western Production	154.8	197.0	(21.4)%	335.4	426.2	(21.3)%
Total Essential Ingredients Sold	391.4	423.2	(7.5)%	994.6	1,086.6	(8.5)%
Essential Ingredients return % (2)						
Pekin Campus Return	49.0%	44.8%	9.4%	49.7%	44.1%	12.7%
Western Production Return	28.6%	31.3%	(8.6)%	33.0%	32.3%	2.2%
Consolidated Total Return	42.8%	40.4%	5.9%	46.0%	41.2%	11.7%

(1) Assumes corn conversion of 2.80 gallons of alcohol per bushel of corn.
(2) Essential ingredients revenues as a percentage of total corn costs consumed.

Net Sales, Cost of Goods Sold and Gross Profit

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

	Three Months Ended September 30,		Variance in		Nine Months Ended September 30,		Variance in	
	2024	2023	Dollars	Percent	2024	2023	Dollars	Percent
Net sales	$ 251,814	$ 318,127	$ (66,313)	(20.8)%	$ 728,911	$ 949,315	$ (220,404)	(23.2)%
Cost of goods sold	245,854	313,966	(68,112)	(21.7)%	717,798	931,137	(213,339)	(22.9)%
Gross profit	$ 5,960	$ 4,161	$ 1,799	43.2%	$ 11,113	$ 18,178	$ (7,065)	(38.9)%
Percentage of net sales	*2.4%*	*1.3%*			*1.5%*	*1.9%*		

* *Not meaningful*

Three Months ended September 30, 2024 as compared to the Three Months ended September 30, 2023

Net Sales

The decline in our consolidated net sales for the three months ended September 30, 2024 as compared to the same period in 2023 is primarily attributable to

lower average sales prices per gallon for both specialty alcohol and renewable fuel as well as lower average sales prices of essential ingredients due to a lower commodity price environment. In addition, we had lower sales of renewable fuel and essential ingredients due to the hot-idling of our Magic Valley plant in January 2024, which we restarted in July 2024, but which did not reach average full capacity until October 2024.

Pekin Campus Production Segment

Net sales of alcohol from our Pekin Campus production segment declined by $22.1 million, or 17%, to $106.5 million for the three months ended September 30, 2024 as compared to $128.6 million for the same period in 2023. Our total volume of production gallons sold increased by 0.8 million gallons, or 2%, to 52.8 million gallons for the three months ended September 30, 2024 as compared to 52.0 million gallons for the same period in 2023. The decrease of $0.46, or 19%, in the segment's average sales price per gallon for the three months ended September 30, 2024 as compared to the same period in 2023 reduced our net sales from the segment by $23.7 million. With the segment's average sales price per gallon of $2.02 for the three months ended September 30, 2024, we generated $1.6 million more in net sales from the 0.8 million additional gallons of alcohol sold in the three months ended September 30, 2024 as compared to the same period in 2023.

Net sales of essential ingredients from our Pekin Campus production segment declined by $10.4 million, or 20%, to $41.2 million for the three months ended September 30, 2024 as compared to $51.6 million for the same period in 2023. Our total volume of essential ingredients sold increased by 10,400 tons, or 5%, to 236,600 tons for the three months ended September 30, 2024 from 226,200 tons for the same period in 2023. The decrease of $54.06, or 24%, in the segment's average sales price per ton for the three months ended September 30, 2024 as compared to the same period in 2023 reduced our net sales from the segment by $12.2 million. With the segment's average sales price per ton of $174.21 for the three months ended September 30, 2024, we generated $1.8 million in additional net sales from the 10,400 additional tons of essential ingredients sold in the three months ended September 30, 2024 as compared to the same period in 2023.

Marketing and Distribution Segment

Net sales of alcohol from our marketing and distribution segment, excluding intersegment sales, declined by $4.3 million, or 7%, to $54.6 million for the three months ended September 30, 2024 as compared to $58.9 million for the same period in 2023.

The $0.52 per gallon, or 19%, decrease in the segment's average sales price per gallon for the three months ended September 30, 2024 as compared to the same period in 2023 resulted in a $11.4 million decline in our net sales from third-party fuel-grade ethanol sold by the segment. Our volume of third-party alcohol sold reported gross by the segment increased by 3.3 million gallons, or 15%, to 25.2 million gallons for the three months ended September 30, 2024 as compared to 21.9 million gallons for the same period in 2023. With the segment's average sales price per gallon of $2.17 for the three months ended September 30, 2024, we realized $7.1 million in additional net sales from the 3.3 million additional gallons of third-party alcohol sold gross in the three months ended September 30, 2024 as compared to the same period in 2023.

Western Production Segment

Net sales of alcohol from our Western production segment declined by $20.8 million, or 36%, to $36.4 million for the three months ended September 30, 2024 as compared to $57.2 million for the same period in 2023. Our total volume of alcohol sold decreased by 4.2 million gallons, or 19%, to 18.0 million gallons for the three months ended September 30, 2024 as compared to 22.2 million gallons for the same period in 2023. The decrease of $0.55, or 21%, in the segment's average sales price per gallon for the three months ended September 30, 2024 as compared to the same period in 2023 reduced our net sales from the segment by $12.3 million. With the segment's average sales price per gallon of $2.02 for the three months ended September 30, 2024, we generated $8.5 million less in net sales from the 4.2 million fewer gallons of alcohol sold in the three months ended September 30, 2024 as compared to the same period in 2023.

Net sales of essential ingredients from our Western production segment declined by $7.4 million, or 42%, to $10.4 million for the three months ended September 30, 2024 as compared to $17.8 million for the same period in 2023. Our total volume of essential ingredients sold decreased 42,200 tons, or 21%, to 154,800 tons for the three months ended September 30, 2024 from 197,000 tons for the same period in 2023. The decrease of $23.33, or 26%, in our average sales price per ton for the three months ended September 30, 2024 as compared to the same period in 2023 reduced our net sales of essential ingredients from the segment by $4.6 million. With the segment's average sales price per ton of $67.24 for the three months ended September 30, 2024, we generated $2.8 million less in net sales from the 42,200 fewer tons of essential ingredients sold in the three months ended September 30, 2024 as compared to the same period in 2023.

Corporate and other

Net sales of alcohol from corporate and other declined by $1.4 million, or 34%, to $2.7 million for the three months ended September 30, 2024 as compared to $4.1 million for the same period in 2023. These sales are from Eagle Alcohol's business.

Cost of Goods Sold and Gross Profit

Our consolidated gross profit improved to $6.0 million for the three months ended September 30, 2024 from $4.2 million for the same period in 2023, representing a gross margin of 2.4% and 1.3% for the three months ended September 30, 2024 and 2023, respectively. With total alcohol sales volumes essentially flat, our consolidated gross profit increased due to lower overall corn costs, primarily from lower corn basis costs, which declined $0.63 per bushel compared to the same period in 2023. Our lower corn costs were, however, partially offset by a $0.10 decline in market crush margins to $0.41 per gallon compared to the same period in 2023.

Our Pekin Campus contributed $6.2 million to gross profit, improving tenfold year-over-year, in part due to productivity and other improvements resulting from our scheduled repairs and maintenance in April 2024 as well as a positive shift in sales mix to higher margin products. In particular, we sold 4.0 million gallons more of specialty alcohols for the three months ended September 30, 2024 compared to the same period in 2023. These improvements were partially offset by a 24% decline in our average sales price for essential ingredients compared to the same period in 2023.

Our Western facilities generated a gross loss of $2.3 million for the three months ended September 30, 2024 compared to a gross profit of $1.5 million for the same period in 2023. This $3.8 million year-over-year decline in gross profit is largely attributable to production downtime at our Magic Valley facility and higher costs associated with upgrading equipment at the plant and restarting the facility at the beginning of the third quarter of 2024. Production at our Magic Valley plant did not reach average full capacity until October 2024. In addition, our Columbia facility generated $1.6 million less in high margin revenue due to an 80% drop in carbon prices in the region.

We realized consolidated derivative gains of $3.6 million for the three months ended September 30, 2024 compared to $6.2 million for the same period in 2023.

During the third quarter of 2024, on a consolidated basis, we recorded $8.1 million dollars in repairs and maintenance expense, in line with the prior-year quarter, and we are on track to meet our 2024 full-year estimate of $34.0 million dollars of repairs and maintenance expense.

Pekin Campus Production Segment

Our Pekin Campus production segment's gross profit, net of intercompany activity, increased by $5.9 million to $7.0 million for the three months ended September 30, 2024 as compared to $1.1 million for the same period in 2023. Of this increase, $5.8 million is attributable to higher margins and $0.1 million is attributable to higher sales volumes.

Marketing and Distribution Segment

Our marketing and distribution segment's gross profit, net of intercompany activity, increased by $0.4 million to $1.3 million for the three months ended September 30, 2024 as compared to a gross profit of $0.9 million for the same period in 2023. Of this improvement, $0.3 million is attributable to higher margins from sales of third-party fuel-grade ethanol and $0.1 million attributable to higher sales volumes.

Western Production Segment

Our Western production segment's gross profit, net of intercompany activity, declined by $3.8 million to a gross loss of $2.1 million for the three months ended September 30, 2024 as compared to a gross profit of $1.7 million for the same period in 2023. Of this decline, $4.2 million is attributable to lower renewable fuel margins, partially offset by $0.4 million attributable to lower sales volumes at negative margins.

Corporate and other

Gross profit from corporate and other declined by $0.7 million to a gross loss of $0.2 million for the three months ended September 30, 2024 as compared to a gross profit of $0.5 million for the same period in 2023, all of which were from Eagle Alcohol's business.

Nine Months ended September 30, 2024 as compared to the Nine Months ended September 30, 2023

Net Sales

The decrease in our consolidated net sales for the nine months ended September 30, 2024 as compared to the same period in 2023 is primarily attributable to lower average sales prices per gallon for both specialty alcohols and renewable fuel as well as lower average sales prices of essential ingredients due to lower corn prices. In addition, we had lower sales of renewable fuel and essential ingredients due to the hot-idling of our Magic Valley plant in January 2024, and the biennial wet mill outage at our Pekin Campus for repairs and maintenance in April 2024.

Pekin Campus Production Segment

Net sales of alcohol from our Pekin Campus production segment declined by $73.1 million, or 19%, to $315.5 million for the nine months ended September 30, 2024 as compared to $388.6 million for the same period in 2023. Our total volume of production gallons sold increased by 2.8 million gallons, or 2%, to 160.7 million gallons for the nine months ended September 30, 2024 as compared to 157.9 million gallons for the same period in 2023. The decrease of $0.50, or 20%, in the segment's average sales price per gallon for the nine months ended September 30, 2024 as compared to the same period in 2023 reduced our net sales from the segment by $78.6 million. With the segment's average sales price per gallon of $1.96 for the nine months ended September 30, 2024, we generated $5.5 million more in net sales from the 2.8 million additional gallons of alcohol sold in the nine months ended September 30, 2024 as compared to the same period in 2023.

Net sales of essential ingredients from our Pekin Campus production segment declined by $41.9 million, or 25%, to $127.3 million for the nine months ended September 30, 2024 as compared to $169.2 million for the same period in 2023. Our total volume of essential ingredients sold decreased by 1,200 tons, or less than 1%, to 659,200 tons for the nine months ended September 30, 2024 from 660,400 tons for the same period in 2023. The decrease of $63.13, or 25%, in the segment's average sales price per ton for the nine months ended September 30, 2024 as compared to the same period in 2023 reduced our net sales from the segment by $41.7 million. With the segment's average sales price per ton of $193.11 for the nine months ended September 30, 2024, we generated $0.2 million less in net sales from the 1,200 fewer tons of essential ingredients sold in the nine months ended September 30, 2024 as compared to the same period in 2023.

Marketing and Distribution Segment

Net sales of alcohol from our marketing and distribution segment, excluding intersegment sales, declined by $36.7 million, or 17%, to $179.3 million for the nine months ended September 30, 2024 as compared to $216.0 million for the same period in 2023.

Our volume of third-party alcohol sold reported gross by the segment increased by 6.9 million gallons, or 8%, to 89.3 million gallons for the nine months ended September 30, 2024 as compared to 82.4 million gallons for the same period in 2023. The $0.61 per gallon, or 23%, decrease in the segment's average sales price per gallon for the nine months ended September 30, 2024 as compared to the same period in 2023 resulted in a $50.6 million decline in our net sales from third-party fuel-grade ethanol sold by the segment. With the segment's average sales price per gallon of $2.01 for the nine months ended September 30, 2024, we realized $13.9 million in additional net sales from the 6.9 million additional gallons of third-party alcohol sold gross in the nine months ended September 30, 2024 as compared to the same period in 2023.

Western Production Segment

Net sales of alcohol from our Western production segment declined by $48.4 million, or 40%, to $74.1 million for the nine months ended September 30, 2024 as compared to $122.5 million for the same period in 2023. Our total volume of alcohol sold decreased by 8.4 million gallons, or 18%, to 38.2 million gallons for the nine months ended September 30, 2024 as compared to 46.6 million gallons for the same period in 2023. The decrease of $0.69, or 26%, in the segment's average sales price per gallon for the nine months ended September 30, 2024 as compared to the same period in 2023 reduced our net sales from the segment by $32.1 million. With the segment's average sales price per gallon of $1.94 for the nine months ended September 30, 2024, we generated $16.3 million less in net sales from the 8.4 million fewer gallons of alcohol sold in the nine months ended September 30, 2024 as compared to the same period in 2023.

Net sales of essential ingredients from our Western production segment declined by $16.4 million, or 40%, to $24.2 million for the nine months ended

September 30, 2024 as compared to $40.6 million for the same period in 2023. Our total volume of essential ingredients sold decreased 90,800 tons, or 21%, to 335,400 tons for the nine months ended September 30, 2024 from 426,200 tons for the same period in 2023. The decrease of $23.19, or 24%, in our average sales price per ton for the nine months ended September 30, 2024 as compared to the same period in 2023 reduced our net sales of essential ingredients from the segment by $9.9 million. With the segment's average sales price per ton of $72.10 for the nine months ended September 30, 2024, we generated $6.5 million less in net sales from the 90,800 fewer tons of essential ingredients sold in the nine months ended September 30, 2024 as compared to the same period in 2023.

Corporate and other

Net sales of alcohol from corporate and other declined by $3.7 million, or 30%, to $8.6 million for the nine months ended September 30, 2024 as compared to $12.3 million for the same period in 2023. These sales are from Eagle Alcohol's business.

Cost of Goods Sold and Gross Profit

Our consolidated gross profit declined to $11.1 million for the nine months ended September 30, 2024 from $18.2 million for the same period in 2023, representing a gross margin of 1.5% and 1.9% for the nine months ended September 30, 2024 and 2023, respectively. Our consolidated gross profit declined primarily due to higher repairs and maintenance expense and lower average sales prices for our essential ingredients due, in particular, to a compression on protein prices from an increase in soybean meal supply, a consequence of production growth in soy crush driven by the demand for renewable diesel. Another contributing factor to the year-over-year decline in gross profit is production downtime at our Magic Valley facility and higher operating costs associated with upgrading equipment at the plant. We restarted our Magic Valley facility in July 2024, but production did not reach average full capacity until October 2024.

Pekin Campus Production Segment

Our Pekin Campus production segment's gross profit, net of intercompany activity, increased by $8.6 million to a gross profit of $22.4 million for the nine months ended September 30, 2024 as compared to $13.8 million for the same period in 2023. Of this improvement, $8.3 million is attributable to higher alcohol sales margins and $0.3 million is attributable to higher sales volumes.

Marketing and Distribution Segment

Our marketing and distribution segment's gross profit, net of intercompany activity, declined by $0.3 million to a gross profit of $2.9 million for the nine months ended September 30, 2024 as compared to a gross profit of $3.2 million for the same period in 2023. Of this decline, $0.5 million is attributable to lower margins from sales of third-party fuel-grade ethanol, partially offset by $0.2 million attributable to higher sales volumes.

Western Production Segment

Our Western production segment's gross profit, net of intercompany activity, declined by $12.3 million to a gross loss of $14.1 million for the nine months ended September 30, 2024 as compared to a gross loss of $1.8 million for the same period in 2023. Of this decline, $15.4 million is attributable to lower renewable fuel margins and hot-idling costs at our Magic Valley facility, partially offset by $3.1 million attributable to lower sales volumes at negative margins.

Corporate and other

Gross profit from corporate and other declined by $3.1 million to a gross loss of $0.1 million for the nine months ended September 30, 2024 as compared to a gross profit of $3.0 million for the same period in 2023, all of which were from Eagle Alcohol's business.

Selling, General and Administrative Expenses

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

	Three Months Ended September 30,		Variance in		Nine Months Ended September 30,		Variance in	
	2024	2023	Dollars	Percent	2024	2023	Dollars	Percent
Selling, general and administrative expenses	$ 7,510	$ 8,488	$ (978)	(11.5)%	$ 24,403	$ 24,281	$ 122	0.5%
Percentage of net sales	*3.0%*	*2.7%*			*3.3%*	*2.6%*		

Our SG&A expenses decreased for the three months ended September 30, 2024 as compared to the same period in 2023. The period over period decrease in SG&A expenses is primarily due to lower professional services fees from diligence work on strategic capital projects and other related up-front project costs, such as with respect to our CCS project, which are expensed until the project is at a stage where costs are capitalized. SG&A expenses remained essentially flat for the nine months ended September 30, 2024 and 2023.

Net Loss Available to Common Stockholders

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

	Three Months Ended September 30,		Variance in		Nine Months Ended September 30,		Variance in	
	2024	2023	Dollars	Percent	2024	2023	Dollars	Percent

Net loss available to common stockholders	$ (2,760)	$ (3,808)	$ (1,048)	27.5%	$ (18,222)	$ (10,006)	$ 8,216	82.1%
Percentage of net sales	*(1.1)%*	*(1.2)%*			*(2.5)%*	*(1.1)%*		

Our net loss available to common stockholders for the three and nine months ended September 30, 2024 and 2023 is primarily due to lower margins resulting from increased repairs and maintenance expense, higher up-front project costs as we worked to advance our CCS project, and other factors affecting gross profit as discussed above, partially offset by $0.8 million in gains for the three months ended September 30, 2024 from the sale of noncore assets from a past business acquisition. In addition, for the three months ended September 30, 2023, we received a USDA cash grant of $2.8 million related to the Biofuel Producer Program. This grant did not recur in 2024.

Liquidity and Capital Resources

During the nine months ended September 30, 2024, we funded our operations primarily from cash on hand, cash provided by our operations and Kinergy's operating line of credit. In addition to funding our operations, we used our capital resources to advance our capital improvement projects and make an annual payment relating to our acquisition of Eagle Alcohol. As of September 30, 2024, we had $38.5 million in cash, cash equivalents and restricted cash, $27.2 million available for borrowing under Kinergy's operating line of credit and $65.0 million that may be available for capital improvement projects under our term loan with Orion Infrastructure Capital, subject to certain conditions. We believe we have sufficient liquidity to meet our anticipated working capital, debt service and other liquidity needs to fund our operations for at least the next twelve months from the date of this report. We must, however, raise significant additional capital to advance and complete some of our capital improvement projects, including our CCS project.

Quantitative Period-End Liquidity Status

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

	September 30, 2024	December 31, 2023	Change
Cash, cash equivalents and restricted cash	$ 38,494	$ 45,480	(15.4)%
Current assets	$ 145,150	$ 168,770	(14.0)%
Property and equipment, net	$ 238,892	$ 248,748	(4.0)%
Current liabilities	$ 45,102	$ 65,288	(30.9)%
Long-term debt, noncurrent portion	$ 83,342	$ 82,097	1.5%
Working capital	$ 100,048	$ 103,482	(3.3)%
Working capital ratio	3.22	2.59	24.3%

Restricted Net Assets

At September 30, 2024, we had approximately $56.3 million of net assets at our subsidiaries that were not available to be transferred to Alto Ingredients, Inc. in the form of dividends, distributions, loans or advances due to restrictions contained in our subsidiaries' credit facilities.

Changes in Working Capital and Cash Flows

Working capital declined by $3.5 million to $100.0 million at September 30, 2024 compared to $103.5 million at December 31, 2023 due to a decrease of $23.7 million in current assets, partially offset by a decrease of $20.2 million in current liabilities.

Current assets declined due to decreases in cash, cash equivalents and restricted cash, accounts receivable, inventories, derivative assets and other assets for the nine months ended September 30, 2024 as compared to the same period in 2023.

Our current liabilities decreased primarily due to a decrease in accrued liabilities, derivative instruments and other current liabilities.

Our cash, cash equivalents and restricted cash declined by $7.0 million primarily due to $12.0 million in cash used in our investing activities and $1.0 million in cash used in our financing activities, partially offset by $6.0 million of cash provided by our operating activities.

Cash provided by our Operating Activities

We generated $6.3 million in cash from our operating activities during the nine months ended September 30, 2024 as compared to $10.2 million for the same period in 2023. Specific factors that contributed to the change in cash from our operating activities include:

- an increase of $8.2 million in our net loss primarily due to lower commodity margins; and
- a decrease of $6.5 million related to derivative instruments due to changes in commodity prices.

These amounts were partially offset by:

- an increase of $6.8 million related to accounts payable and accrued liabilities due to the timing of payments; and
- an increase of $4.1 million related to changes in accounts receivable balances due to the timing of our collections.

Cash used in our Investing Activities

We used $12.2 million in cash during the nine months ended September 30, 2024 to fund $9.8 million of additions to property and equipment, including for our capital improvement projects, and to fund $2.8 million of contingent purchase price payments for our acquisition of Eagle Alcohol, partially offset by $0.4 million in proceeds from the sale of assets. Our capital expenditures for the third quarter of 2024 totaled $0.5 million, net of various energy rebates.

Cash used in our Financing Activities

We used $1.0 million in cash during the nine months ended September 30, 2024 to fund $0.9 million in preferred stock dividends and $0.1 million in net payments on Kinergy's operating line of credit.

Kinergy's Operating Line of Credit

Kinergy maintains an operating line of credit with Wells Fargo Bank for an aggregate amount of up to $100.0 million. The credit facility matures on November 7, 2027. Interest accrues under the credit facility at a rate equal to (i) the daily Secured Overnight Financing Rate, plus (ii) a specified applicable margin ranging from 1.25% to 1.75%. The credit facility's monthly unused line fee is 0.25% to 0.375% of the amount by which the maximum credit under the facility exceeds the average daily principal balance during the immediately preceding month. Payments that may be made by Kinergy to Alto Ingredients, Inc. as reimbursement for management and other services provided by Alto Ingredients, Inc. to Kinergy are limited under the terms of the credit facility to $1.5 million per fiscal quarter. The credit facility also includes the accounts receivable of our indirect wholly-owned subsidiary, Alto Nutrients, LLC, or Alto Nutrients, as additional collateral. Payments that may be made by Alto Nutrients to Alto Ingredients, Inc. as reimbursement for management and other services provided by Alto Ingredients, Inc. to Alto Nutrients are limited under the terms of the credit facility to $0.5 million per fiscal quarter. Alto Nutrients markets our essential ingredients and also provides raw material procurement services to our subsidiaries. In addition, the amount of cash distributions that Kinergy or Alto Nutrients may make to us is also limited to up to 75% of excess cash flow.

For all monthly periods in which excess borrowing availability falls below a specified level, Kinergy and Alto Nutrients must collectively maintain a fixed-charge coverage ratio (calculated as a twelve-month rolling earnings before interest, taxes, depreciation and amortization divided by the sum of interest expense, capital expenditures, principal payments of indebtedness, indebtedness from capital leases and taxes paid during such twelve-month rolling period) of at least 1.1 and are prohibited from incurring certain additional indebtedness (other than specific intercompany indebtedness). The obligations of Kinergy and Alto Nutrients under the credit facility are secured by all of our tangible and intangible assets.

We believe Kinergy and Alto Nutrients are in compliance with the fixed-charge coverage ratio covenant as of the filing of this report. The following table sets forth the fixed-charge coverage ratio financial covenant and the actual results for the periods presented:

	Three Months Ended September 30,		Years Ended December 31,	
	2024	2023	2023	2022
Fixed-Charge Coverage Ratio Requirement	1.10	1.10	1.10	1.10
Actual	3.80	4.09	5.22	3.54
Excess	2.70	2.99	4.12	2.44

Alto Ingredients, Inc. has guaranteed all of Kinergy's obligations under the credit facility. As of September 30, 2024, Kinergy had an outstanding balance of $30.6 million and $27.2 million of unused borrowing availability under the credit facility.

Orion Term Loan

On November 7, 2022, we entered into a credit agreement with certain funds managed by Orion Infrastructure Capital, or Lenders, under which the Lenders extended a senior secured credit facility in the amount of up to $125.0 million, or Term Loan. The Term Loan is secured by a first priority lien on certain of our assets and a second priority lien on certain assets of Kinergy and Alto Nutrients. The Lenders agreed to advance to us up to $125.0 million upon the satisfaction of certain conditions. Interest accrues on the unpaid principal amount of the Term Loan at a fixed rate of 10% per annum. The Term Loan matures on November 7, 2028, or earlier upon acceleration.

We must prepay amounts outstanding under the Term Loan on a semi-annual basis in an amount equal to a percentage of our excess cash flow based on a specified leverage ratio, as follows: (i) if our leverage ratio is greater than or equal to 3.0x, then the mandatory prepayment amount will equal 100% of our excess cash flow, (ii) if our leverage ratio is less than 3.0x and greater than or equal to 1.5x, then the mandatory prepayment amount will equal 50% of our excess cash flow, and (iii) if our leverage ratio is less than 1.5x, then the mandatory prepayment amount will equal 25% of our excess cash flow.

As of September 30, 2024, the principal amount outstanding under the Term Loan was $60,000,000.

Other Cash Obligations

As of September 30, 2024, we had future commitments for certain capital projects totaling $8.6 million. These commitments are scheduled to be satisfied through 2024 and 2025.

In connection with our acquisition of Eagle Alcohol, we committed to contingent payments of up to $2.7 million in cash in early 2025 if certain targets are met.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to various market risks, including changes in commodity prices, as discussed below. Market risk is the potential loss arising from adverse changes in market rates and prices. In the ordinary course of business, we may enter into various types of transactions involving financial instruments to manage and reduce the impact of changes in commodity prices. We do not have material exposure to interest rate risk. We do not expect to have any exposure to foreign currency risk as we conduct all of our transactions in U.S. dollars.

We produce and distribute specialty alcohol, renewable fuel and essential ingredients. Our business is sensitive to changes in the prices of ethanol and corn. In the ordinary course of business, we may enter into various types of transactions involving financial instruments to manage and reduce the impact of changes

in ethanol and corn prices. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

We are subject to market risk with respect to ethanol and corn pricing. Ethanol prices are sensitive to global and domestic ethanol supply; crude-oil supply and demand; crude-oil refining capacity; carbon intensity; government regulation; and consumer demand for alternative fuels. Our ethanol sales are priced using contracts that are either based on a fixed price or an indexed price tied to a specific market, such as Chicago Ethanol (Platts) or the Oil Price Information Service. Under these fixed-priced arrangements, we are exposed to risk of a decrease in the market price of ethanol between the time the price is fixed and the time the alcohol is sold.

We satisfy our physical corn needs, the principal raw material used to produce alcohol and essential ingredients, based on purchases from our corn vendors. Generally, we determine the purchase price of our corn at or near the time we begin to grind. Additionally, we also enter into volume contracts with our vendors to fix the purchase price. As such, we are also subject to market risk with respect to the price of corn. The price of corn is subject to wide fluctuations due to unpredictable factors such as weather conditions, farmer planting decisions, governmental policies with respect to agriculture and international trade and global supply and demand. Under the fixed price arrangements, we assume the risk of a decrease in the market price of corn between the time the price is fixed and the time the corn is utilized.

Essential ingredients are sensitive to various demand factors such as numbers of livestock on feed, prices for feed alternatives and supply factors, primarily production of ethanol co-products by ethanol plants and other sources.

As noted above, we may attempt to reduce the market risk associated with fluctuations in the price of ethanol or corn by employing a variety of risk management and hedging strategies. Strategies include the use of derivative financial instruments such as futures and options executed on exchanges under the Chicago Mercantile Exchange Group, as well as the daily management of physical corn.

These derivatives are not designated for special hedge accounting treatment, and as such, the changes in the fair values of these contracts are recorded on the balance sheet and recognized immediately in cost of goods sold. We recognized net gains of $9.0 million and $2.5 million related to the changes in the fair values of these contracts for the nine months ended September 30, 2024 and 2023, respectively.

We prepared a sensitivity analysis as of September 30, 2024 to estimate our exposure to ethanol and corn. Market risk related to these factors was estimated as the potential change in pre-tax income resulting from a hypothetical 10% adverse change in the prices of our expected ethanol and corn volumes. The analysis uses average Chicago Mercantile Exchange prices for the year and does not factor in future contracted volumes. The results of this analysis for the nine months ended September 30, 2024, which may differ materially from actual results, are as follows (in millions):

Commodity	Volume	Unit of Measure	Approximate Adverse Change to Pre-Tax Income
Ethanol	290.9	Gallons	$ (34.8)
Corn	72.0	Bushels	$ (30.5)

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of September 30, 2024 that our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

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

Inherent Limitations on the Effectiveness of Controls

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

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS.

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

Risks Related to our Business

Our results of operations and our ability to operate at a profit are largely dependent on our ability to manage the costs of corn, natural gas and other production inputs, with the prices of our alcohols and essential ingredients, all of which are subject to volatility and uncertainty.

Our results of operations are highly impacted by commodity prices, including the cost of corn, natural gas and other production inputs that we must purchase, and the prices of alcohols and essential ingredients that we sell. Prices and supplies are subject to and determined by numerous market and other forces over which we have no control, such as inclement or favorable weather, domestic and global demand, supply excesses or shortages, export conditions, inflationary conditions, global geopolitical tensions and various governmental policies in the United States and throughout the world.

Price volatility of corn, natural gas and other production inputs, and alcohols and essential ingredients, may cause our results of operations to fluctuate significantly. We may fail to generate expected levels of net sales and profits even under fixed-price and other contracts for the sale of specialty alcohols used in consumer products. Our customers may not pay us timely or at all, even under longer-term, fixed-price contracts for our specialty alcohols, and may seek to renegotiate prices under those contracts during periods of falling prices or high price volatility.

Over the past several years, for example, the spread between corn and fuel-grade ethanol prices has fluctuated significantly. Fluctuations are likely to continue to occur. A sustained negative or narrow spread, whether as a result of sustained high or increased corn prices or sustained low or decreased alcohol or essential ingredient prices, would adversely affect our results of operations and financial condition. Revenues from sales of alcohols, particularly fuel-grade ethanol, and essential ingredients have in the past and could in the future decline below the marginal cost of production, which have in the past and may again in the future force us to suspend production, particularly fuel-grade ethanol production, at some or all of our facilities. For example, we hot-idled our Magic Valley facility in early 2023 due to unfavorable market conditions and again hot-idled our Magic Valley facility in early 2024 in part due to unfavorable market conditions and to expedite the installation of additional equipment needed to achieve the intended production rate, quality and consistency from the corn oil and high protein system at the facility. We restarted the Magic Valley facility in July 2024, but due to challenging economics that arose in the fourth quarter and continue through the filing of this report, we plan to idle the plant before the end of 2024 unless there are meaningful improvements in overall economics at the facility.

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

We can provide no assurances that corn, natural gas or other production inputs can be purchased at or near current or any specific prices, or that our alcohols or essential ingredients will sell at or near current or any particular prices. Consequently, our results of operations and financial condition may be adversely affected by increases in the prices of corn, natural gas and other production inputs or decreases in the prices of our alcohols and essential ingredients.

The prices of our products are volatile and subject to large fluctuations, which may cause our results of operations to fluctuate significantly.

The prices of our products are volatile and subject to large fluctuations. For example, the market price of fuel-grade ethanol is dependent upon many factors, including the supply of ethanol and the price of gasoline, which is in turn dependent upon the price of petroleum which itself is highly volatile, difficult to forecast and influenced by a wide variety of global economic and geopolitical conditions, including decisions concerning petroleum output by the Organization of Petroleum Exporting Countries (OPEC) and their allies, an intergovernmental organization that seeks to manage the price and supply of oil on the global energy market. Other important factors that impact the price of petroleum include war and threats of war, attacks on or threats to shipping vessels as has recently occurred in the Red Sea, the consequent rerouting of supply lines to less direct or more expensive paths, and other supply chain disruptions.

Our fuel-grade ethanol sales are tied to prevailing spot market prices rather than long-term, fixed-price contracts. Fuel-grade ethanol prices, as reported by the Chicago Mercantile Exchange, ranged from $1.58 to $2.67 per gallon in 2023, from $2.00 to $2.88 per gallon in 2022 and from $1.48 to $3.75 per gallon in 2021. In addition, even under longer-term, fixed-price contracts for our specialty alcohols, our customers may seek to renegotiate prices under those contracts during periods of falling prices or high price volatility. Fluctuations in the prices of our products may cause our results of operations to fluctuate significantly.

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

To partially offset the effects of production input and product price volatility, in particular, corn and natural gas costs and fuel-grade ethanol prices, we may enter into contracts to purchase a portion of our corn or natural gas requirements on a forward basis or fix the sale price of portions of our alcohol production. In addition, we may engage in other hedging transactions involving exchange-traded futures contracts for corn, natural gas and unleaded gasoline from time to time. The financial statement impact of these activities is dependent upon, among other things, the prices involved and our ability to sell sufficient products to use all of

the corn and natural gas for which forward commitments have been made. We have recognized losses in the past, and may suffer losses in the future, from our hedging arrangements. For example, for the year ended December 31, 2023, we recognized net losses of $8.0 million, related to the change in the fair values of hedging contracts.

Hedging arrangements also expose us to the risk of financial loss in situations where our counterparty to the hedging contract defaults on its contract or, in the case of exchange-traded contracts, where there is a change in the expected differential between the underlying price in the hedging agreement and the actual prices paid or received by us. In addition, our open contract positions may require cash deposits to cover margin calls, negatively impacting our liquidity. As a result, our hedging activities and fluctuations in the price of corn, natural gas, fuel-grade ethanol and unleaded gasoline may adversely affect our results of operations, financial condition and liquidity.

Disruptions in our production or distribution, including from climate change and other weather effects, may adversely affect our business, results of operations and financial condition.

Our business depends on the continuing availability of rail, road, port, storage and distribution infrastructure. In particular, due to limited storage capacity at some of our production facilities and other considerations related to production efficiencies, certain facilities depend on timely delivery of corn. Alcohol production also requires a significant and uninterrupted supply of other raw materials and energy, primarily water, electricity and natural gas. Local water, electricity and gas utilities may fail to reliably supply the water, electricity and natural gas that our production facilities need or may fail to supply those resources on acceptable terms. In the past, poor weather has caused disruptions in rail transportation, which slowed the delivery of fuel-grade ethanol by rail, a key method by which fuel-grade ethanol from our Pekin Campus is transported to market.

For example, in the first quarter of 2024, extreme cold weather conditions in January at our Pekin Campus restricted barge deliveries and increased standby fees. To manage inventory levels, we transported more product by rail, a higher cost mode of transportation. Cold weather conditions also required us to shift to lower margin feed products and reduced our production rates across our Pekin Campus, hindering our ability to produce specialty alcohol at full capacity. In the third quarter of 2023 we experienced unusually high unscheduled production downtime for repairs and maintenance which reduced sales volumes and profits. In 2022, a lightning strike at the utility servicing our Pekin Campus disrupted our operations, cutting power to our facilities and materially affecting our production, resulting in unexpected repair and maintenance costs, lost production and degradation in the quality of work-in-progress inventories. In addition, in 2020, we experienced closure of the Illinois River for lock repairs which required greater use of less cost-effective modes of product transport such as via rail and truck, which resulted in higher costs and negatively affected our results of operations.

Disruptions in production or distribution, whether caused by labor difficulties, unscheduled downtimes and other operational hazards inherent in the alcohol production industry, including equipment failures, fires, explosions, abnormal pressures, blowouts, pipeline ruptures, transportation accidents, climate change and natural disasters such as earthquakes, floods and storms, or other weather effects, or human error or malfeasance or other reasons, could prevent timely deliveries of corn or other raw materials and energy, and could delay transport of our products to market, and may require us to halt production at one or more production facilities, any of which could have a material adverse effect on our business, results of operations and financial condition.

Some of these operational hazards may also cause personal injury or loss of life, severe damage to or destruction of property and equipment or environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties. Our insurance may not fully cover the potential hazards described above or we may be unable to renew our insurance on commercially reasonable terms or at all.

Increased alcohol or essential ingredient production or higher inventory levels may cause a decline in prices for those products, and may have other negative effects, materially and adversely impacting our results of operations, cash flows and financial condition.

The prices of our alcohols and essential ingredients are highly impacted by competing third-party supplies of those products. In addition, if fuel-grade ethanol production margins improve, we anticipate that owners of production facilities operating at below capacity, or owners of idled production facilities, will increase production levels, thereby resulting in more abundant fuel-grade ethanol supplies and inventories. Increases in the supply of alcohols and essential ingredients may not be commensurate with increases in demand for alcohols and essential ingredients, thus leading to lower prices. Any of these outcomes could have a material adverse effect on our results of operations, cash flows and financial condition.

We may suffer impairments in the value of our long-lived assets which may materially and adversely affect our results of operations.

We evaluate our long-lived assets annually for impairment or when circumstances indicate that the full carrying value of an asset may be unrecoverable. These evaluations rely on financial and other assumptions concerning the assets, any of which may not materialize in the future. For example, we recognized asset impairments of $6.5 million and $3.1 million for the years ended December 31, 2023 and 2021, respectively. We may recognize additional impairments of the values of our long-lived assets in the future based on then-prevailing financial and other circumstances. Impairments of our long-lived assets may materially and adversely affect our results of operations.

Our alcohol production relies on traditional corn-based feedstock and process technologies. New technologies could make corn-based alcohol production and traditional process technologies less competitive or even obsolete, materially and adversely harming our business.

We produce our alcohols from corn. Moreover, our plants are constructed and operate exclusively as corn-based alcohol production facilities. Competitors and other third parties have undertaken research to develop competing products to corn-based alcohols, and ethanol in particular, as well as new process technologies. These research efforts seek alternatives to corn-based ethanol and traditional process technologies aimed at improving real or perceived problems with the fuel, such as the carbon and energy intensity of its production, its lower energy content compared to gasoline and its hydrophobic nature resulting in water separation in transit or at other times. Competitors and other third parties may develop new alcohols and processes that improve on any of these or other real or perceived problems with corn-based alcohols, including ethanol. If viable competing products or new process technologies are developed and attract widespread or even modest adoption, we may be forced to modify our production facilities, including our process technologies, if possible, to transition in full or in part to these other products or process technologies to remain competitive. Modifying our production facilities may require expertise that our personnel may not possess and would likely require significant capital expenditures the funding for which we may not have. An inability to remain competitive due to the introduction and adoption of competing products or new process technologies, or significant costs associated with the adoption of new products and process technologies, would materially

and adversely affect our business, financial condition and results of operations.

Inflation and sustained higher prices may adversely impact our results of operations and financial condition.

We have experienced adverse inflationary impacts on key production inputs, wages and other costs of labor, equipment, services, and other business expenses. In addition, we have experienced adverse inflationary impacts on our budgets and expenses for many of our in-process and planned capital projects. Inflation and its negative impacts could escalate in future periods. Even if inflation stabilizes or abates, the prices of key production inputs, wages and other costs of labor, equipment, services, and other business expenses, and for our capital projects, may remain at elevated levels. We may not be able to include these additional costs in the prices of the products we sell. As a result, inflation and sustained higher prices may have a material adverse effect on our results of operations and financial condition.

Climate change, and governmental regulations aimed at addressing climate-related issues, may affect conditions to which our business is highly sensitive, many of which could materially and adversely harm our business, results of operations and financial condition.

Our business is highly sensitive to commodity prices, in particular, the prices of corn and natural gas. Inclement weather from climate change, including extreme temperatures or drought, may adversely affect growing conditions, which may reduce available corn supplies, our primary production input, and other grain substitutes, driving up prices and thereby increasing our production input costs. In addition, governmental regulators may disfavor carbon-based energy sources, such as natural gas, leading to regulations that disincentivize their use or otherwise make their production more difficult and costly, driving up their prices. Higher natural gas prices would likewise increase our production input costs.

Other factors that may result from climate change, or that may result from governmental regulations aimed at addressing climate-related issues, may also adversely affect our business, including the following:

- water is one of our key production inputs; water resource limitations may result from drought and other inclement weather; water resource limitations may also result from rationing and other governmental regulations limiting water use;
- higher water temperatures due to increased global or regional temperatures may negatively affect production efficiencies due to water temperature production requirements given the poor cooling capacities of our older facilities;
- flooding and other inclement weather may negatively affect our river access, other transportation logistics and costs, and storage requirements;
- an overall increase in energy costs will negatively impact our production costs generally and may critically impact certain high energy-intensive production technologies, such as our wet milling and multiple distillation processes for the highest quality specialty alcohols;
- regulatory and market transition away from combustion fuels and fuel-grade ethanol blending may threaten the viability of our renewable fuels business; and
- costs and regulatory burdens associated with governmental regulations that limit or tax greenhouse gas emissions, such as CO_2, from alcohol production and distribution, or from truck transport and packaging associated with Eagle Alcohol's business and use of drums and totes, will negatively impact us.

New legislation in the United States to address climate change issues, including at the federal, state and local levels, likely will continue. This may include new or expanded cap-and-trade programs that may layer additional costs on any business that emits greenhouse gases. New legislation, including new or expanded cap-and-trade programs, could materially and adversely impact our production cost structure and the market viability of our products.

Any of these factors could materially and adversely harm our business, results of operations and financial condition.

Risks Related to our Finances

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

We have incurred significant losses and negative operating cash flow in the past. For example, for the three months ended September 30, 2024, June 30, 2024 and December 31, 2023, for the nine months ended September 30, 2024 and for the years ended December 31, 2023 and 2022, we incurred consolidated net losses of approximately $2.4 million, $3.1 million, $19.0 million, $17.3 million, $28.0 million and $41.6 million, respectively. We may incur losses and negative operating cash flow in the future. We expect to rely on cash on hand, cash, if any, generated from our operations, borrowing availability under our lines of credit and proceeds from our future financing activities, if any, to fund all of the cash requirements of our business. Additional losses and negative operating cash flow may hamper our operations and impede us from expanding our business.

We are engaged in multiple capital improvement projects. These projects, and their financing, costs, timing and effects, are based on our plans, expectations and various assumptions that may not eventuate. We may therefore be unable to timely achieve, or achieve at all, the results we expect, including as to projected additional EBITDA and Adjusted EBITDA.

We are engaged in multiple capital improvement projects to diversify and enhance our revenue streams and to expand margins and profitability by reducing costs. These projects have different timelines, returns on investment and risk profiles. In addition, we must raise significant additional capital to complete some of our projects, including our CCS project. Our expected financial and other results from these projects are based on assumptions around many factors, including their costs, timing, operation and market prices prevailing at project completion and thereafter, as well as tax and other favorable environmental attributes associated with low carbon alcohol that may accrue to our benefit. For example, our assumptions around the anticipated results of our CCS project rely heavily on the tax benefits that may accrue to us under the Inflation Reduction Act of 2022 as well as other favorable environmental attributes associated with carbon capture and storage and low

carbon alcohol production. These tax and other benefits may change, including as a result of new or repealed laws, new administrations and the implementation or interpretation of existing laws, or the exhaustion of funds or benefits available under a particular program. We can provide no assurances that any particular benefit will be available to us upon completion of our CCS project, or thereafter, or any other capital improvement project.

Capital improvement projects require significant outlays of capital and are often subject to material execution risks and delays. Our CCS project in particular requires Environmental Protection Agency, or EPA, approval but the EPA's own projected timeline for approval has lengthened and may lengthen further. We may have insufficient financial resources, and we may be unable to raise sufficient capital, to complete our projects timely or at all. Although we intend to use reputable third-party contractors with expertise in their fields to implement our projects, adverse conditions and events as well as delays in capital projects are not uncommon. Moreover, the projects' interaction with existing processes may result in the degradation of other plant operations. For example, operation of our corn oil and high protein system at our Magic Valley facility previously resulted in inconsistent product quality and degraded other operations at the plant, including production rates. In the past, we have extended our expected completion dates for various projects and, as circumstances require, may have to do so again.

In addition, our CCS project may be adversely affected by the SAFE CCS Act or the United States Supreme Court's decision in the case of Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc., or both, as discussed below.

We can provide no assurances that our projects will be completed, or if completed, will be completed timely. We also can provide no assurances that our project assumptions will reflect prevailing future conditions or that our projects will achieve the results we expect, including as to projected additional EBITDA and Adjusted EBITDA. Failure to achieve our expected results may have a material adverse effect on our business, financial condition and results of operations.

We regularly incur significant expenses to repair, maintain and upgrade our production facilities and operating equipment, and any interruption in our operations would harm our operating performance.

We regularly incur significant expenses to repair, maintain and upgrade our production facilities and operating equipment, estimated at an average of $30.0 million per year; however, we expect these expenses will be approximately $34.0 million for 2024. The machines and equipment we use to produce our alcohols and essential ingredients are complex, have many parts, and some operate on a continuous basis. We must perform routine equipment maintenance and must periodically replace a variety of parts such as motors, pumps, pipes and electrical parts, and engage in other repairs. In addition, our production facilities require periodic shutdowns to perform major maintenance and upgrades. Our production facilities also occasionally require unscheduled shutdowns to perform repairs. For example, we recently completed our biennial wet mill outage at our Pekin Campus. The wet mill was offline for ten days, which negatively impacted sales and margins for the second quarter. In the first quarter of 2024, production at our Colombia facility was hampered by equipment issues that extended the facility's regularly scheduled outage. In the third quarter of 2023 we experienced unusually high unscheduled production downtime for repairs and maintenance at our Pekin Campus which reduced sales volumes and increased losses. These scheduled and unscheduled shutdowns result in lower sales and increased costs in the periods during which a shutdown occurs and could result in unexpected operational issues in future periods resulting from changes to equipment and operational and mechanical processes made during shutdown.

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

We have incurred, and anticipate incurring additional, substantial indebtedness for our capital improvement projects. We expect that these projects, when completed, will generate financial returns sufficient to service and ultimately repay or refinance our indebtedness. However, the costs, timing, and effects of our capital improvement projects may not meet our projections. In addition, our indebtedness could:

- make it more difficult to repay or refinance our indebtedness if it becomes due during adverse economic and industry conditions;
- result in adverse consequences due to a breach of our financial or other covenants and obligations in favor of our lenders;
- limit our flexibility to pursue strategic opportunities or react to changes in our business and the industries in which we operate and, consequently, place us at a competitive disadvantage to our competitors who have less debt;
- require a substantial portion of our cash flows from operations for debt service payments, thereby reducing the availability of our cash flows to fund working capital, additional capital expenditures, acquisitions, dividend payments and for other general corporate purposes; or
- limit our ability to procure additional financing for working capital or other purposes.

Our ability to generate operating results and sufficient cash to make all required principal and interest payments when due, and to satisfy our financial covenants and other obligations, depends on our performance, which is subject to a variety of factors beyond our control, including the cost of key production inputs, the supply of and demand for alcohols and essential ingredients, and many other factors related to the industries in which we operate. We cannot provide any assurance that we will be able to timely service or satisfy our debt obligations, including our financial covenants. Our failure to timely service or satisfy our debt obligations, including to meet our financial covenants, could result in our indebtedness being immediately due and payable, and would have a material adverse effect on our business, business prospects, liquidity, financial condition, cash flows and results of operations.

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

Federal and state income tax laws impose restrictions on our use of net operating loss, or NOL, and tax credit carryforwards in the event that an "ownership change" occurs for tax purposes, as defined by Section 382 of the Internal Revenue Code, or Code. In general, an ownership change occurs when stockholders owning 5% or more of a corporation entitled to use NOL or other loss carryforwards have increased their ownership by more than 50 percentage points during any three-year period. The annual base limitation under Section 382 of the Code is calculated by multiplying the corporation's value at the time of the ownership change by the greater of the long-term tax-exempt rate determined by the Internal Revenue Service in the month of the ownership change or the two preceding months. Our ability to utilize our NOL and other loss carryforwards may be substantially limited. These limitations could result in increased future tax obligations, which could have a material adverse effect on our financial condition and results of operations.

Risks Related to Legal and Regulatory Matters

We may be adversely affected by environmental, health and safety laws and regulations, as well as related liabilities that may not be adequately covered by insurance.

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

We may be liable for the investigation and cleanup of environmental contamination at each of our production facilities and at off-site locations where we arrange for the disposal of hazardous substances or wastes. If these substances or wastes have been or are disposed of or released at sites that undergo investigation and/or remediation by regulatory agencies, we may be responsible under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or other environmental laws for all or part of the costs of investigation and/or remediation, and for damages to natural resources. We may also be subject to related claims by private parties alleging property damage and personal injury due to exposure to hazardous or other materials at or from those properties. Some of these matters may require us to expend significant amounts for investigation, cleanup or other costs not covered by insurance.

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

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

Our CCS project may be adversely affected by the SAFE CCS Act.

The SAFE CCS Act was signed into law in Illinois in July 2024. We are evaluating at our Pekin Campus, located in Illinois, a CCS project that will require significant financial and personnel resources. Our CCS project is our most important ongoing capital improvement initiative. The SAFE CCS Act establishes stringent safety, financial and insurance requirements on CO_2 pipelines and imposes a moratorium on the construction of new CO_2 pipelines until the federal Pipeline and Hazardous Materials Safety Administration finalizes its new safety rules or July 1, 2026, whichever occur sooner. The SAFE CCS Act will result in increased compliance and other requirements likely adding costs and potentially adding time to complete our CCS project. We can provide no assurance that our CCS project will not be adversely affected by the SAFE CCS Act or that it will be financially viable in light of any new requirements and potential delays.

We may be adversely affected by food and drug laws and regulations, as well as related liabilities that may not be adequately covered by insurance.

Some of our products are subject to regulation by the U.S. Food and Drug Administration, or FDA, as well as similar state agencies. The FDA regulates, under the Federal Food, Drug, and Cosmetic Act, or FDCA, the processing, formulation, safety, manufacture, packaging, labeling and distribution of food ingredients, vitamins, cosmetics and pharmaceuticals for active and inactive ingredients. Many of the FDA's and FDCA's rules and regulations apply directly to us as well as indirectly through their application in our customers' products. To be properly marketed and sold in the United States, a relevant product must be generally recognized as safe, approved and not adulterated or misbranded under the FDCA and relevant regulations issued under the FDCA.

If we fail to comply with laws and FDA regulations or those of similar state agencies, we may be prevented from selling certain of our products and may also be subject to government agency enforcement liability. In addition, we may be subject to product liability and other claims by our customers or by individuals alleging personal injury from our products as food and drug additives.

We maintain insurance coverage against some, but not all, potential losses. Some of these matters, if they arise, may require us to expend significant amounts for investigation and defense or other costs not covered by insurance. We could sustain losses for uninsurable or uninsured risks, or in amounts in excess of existing insurance coverages. Events that result in significant personal injury or other losses that are not fully covered by insurance could have a material adverse effect on our results of operations and financial condition.

The United States fuel-grade ethanol industry is highly dependent upon various federal and state laws and regulations and any changes in or reinterpretations of those laws or regulations could have a material adverse effect on our results of operations, cash flows and financial condition.

The domestic market for fuel-grade ethanol is significantly impacted by federal mandates for volumes of renewable fuels (such as ethanol) required to be blended with gasoline. Future demand for fuel-grade ethanol will largely depend on incentives to blend ethanol into motor fuels, including the price of ethanol relative to the price of gasoline, the relative octane value of ethanol, constraints on the ability of vehicles to use higher ethanol blends, and the EPA's, established volumes from time to time, small refinery waivers, and other applicable environmental requirements.

The EPA has implemented the Renewable Fuel Standard under the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007. The EPA, in coordination with the Secretary of Energy and the Secretary of Agriculture, determines annual quotas for the quantity of renewable fuels (such as fuel-grade ethanol) that must be blended into motor fuels consumed in the United States. The EPA finalized mandatory volumes of 15.0 billion gallons for each of 2023, 2024, and 2025 of conventional renewable fuel, or corn-based fuel-grade ethanol, which could decline in future years.

The EPA may issue small refinery waivers, in full or in part, to reduce or eliminate annual renewable fuel volume requirements for small refineries that process fewer than 75,000 barrels of petroleum daily. In the past, the EPA has issued small refinery waivers that have materially and adversely affected overall demand for and the price of fuel-grade ethanol. The U.S. Court of Appeals for the Fifth Circuit, in the fourth quarter of 2023, struck down the EPA's decision to deny numerous small refinery waivers, finding that the EPA's denials were impermissibly retroactive, contrary to law and counter to evidence in the litigation record. Accordingly, small refinery waivers from the EPA may be more likely in the future and could again materially and adversely affect overall demand for and the price of fuel-grade ethanol.

Various bills in Congress introduced from time to time are also directed at altering existing renewable fuels energy legislation, but none have passed in recent years. Some legislative bills are directed at halting or reversing expansion of, or even eliminating in its entirety, the renewable fuel program.

Our results of operations, cash flows and financial condition could be adversely impacted if the EPA reduces mandatory volumes or issues significant small refinery waivers, or if any legislation is enacted that reduces volume requirements or if existing legislation is reinterpreted to have the same effect.

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

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

There are limited markets for fuel-grade ethanol beyond those established by federal mandates. Discretionary blending and E85 blending (i.e., gasoline blended with up to 85% fuel-grade ethanol by volume) are important secondary markets. Discretionary blending is often determined by the price of fuel-grade ethanol relative to the price of gasoline. In periods when discretionary blending is financially unattractive, the demand for fuel-grade ethanol may decline. Also, the demand for fuel-grade ethanol is affected by the overall demand for transportation fuel. Demand for transportation fuel is affected by the number of miles traveled by consumers and vehicle fuel economy. Lower demand for fuel-grade ethanol and essential ingredients, including through the transition by consumers to alternative fuel vehicles such as electric vehicles and hybrid vehicles, would reduce the value of our ethanol and related products, erode our overall margins and diminish our ability to generate revenue or to operate profitably. In addition, we believe that additional consumer acceptance of E15 and E85 fuels is necessary before fuel-grade ethanol can achieve any significant growth in market share relative to other transportation fuels.

The United States Supreme Court's decision in the case of Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc. may result in less industry-favorable rulemaking and agency interpretations of laws and regulations, which could materially and adversely affect our results of operations, cash flows and financial condition as well as the business and financial prospects of certain capital improvement projects, such as CCS.

The United States Supreme Court, in the landmark case of Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc., recently overturned its prior doctrine of judicial deference to administrative interpretations of laws and regulations. This outcome could materially and adversely affect rulemaking and agencies' interpretations favorable to the renewable fuels industry, such as the EPA's administration of the Renewable Fuel Standard. This outcome could also materially and adversely affect the Treasury Department's ability to promulgate favorable regulations under the Inflation Reduction Act of 2022, including tax credits such as the 45Q carbon capture and storage tax credits, and other industry-favorable tax credits. Less industry-favorable rulemaking and agency interpretations of laws and regulations could materially and adversely affect our results of operations, cash flows and financial condition as well as the financial prospects of certain capital improvement projects, such as CCS.

Risks Related to Ownership of our Common Stock

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

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

- fluctuations in our quarterly or annual operating results;
- fluctuations in the market prices of our products;
- fluctuations in the costs of key production input commodities such as corn and natural gas;
- the timing, cost and effects of, and our ability to fund, our capital improvement projects, including with respect to our CCS project;
- anticipated trends in our financial condition and results of operations;
- our ability to obtain any necessary financing;
- the volume and timing of the receipt of orders for our products from major customers, including annual contracted sales volumes for our specialty alcohols;
- competitive pricing pressures;
- changes in market valuations of companies similar to us;
- stock market price and volume fluctuations generally;

- regulatory developments or increased enforcement;
- additions or departures of key personnel;

- environmental, product or other liabilities we may incur;
- our financing activities and future sales of our common stock or other securities; and
- our ability to maintain contracts that are critical to our operations.

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

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

Because we do not plan to pay any cash dividends on our shares of common stock, our stockholders will not be able to receive a return on their shares unless and until they sell them.

We intend to retain a significant portion of any future earnings to finance the development, operation and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the near future. The declaration, payment, and amount of any future dividends will be made at the discretion of our board of directors, and will depend upon, among other things, our results of operations, cash flows, and financial condition, operating and capital requirements, compliance with any applicable debt covenants, and other factors our board of directors considers relevant. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance of the amount of any such dividend. Unless our board of directors determines to pay dividends, our stockholders will be required to look solely to appreciation in the value of our common stock to realize any gain on their investment. There can be no assurance that any such appreciation will occur.

Our bylaws contain exclusive forum provisions that could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Delaware Court of Chancery shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of us to us or our stockholders, (c) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (d) any action asserting a claim governed by the internal affairs doctrine.

Our bylaws also provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by applicable law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended, or the Securities Act, including all causes of action asserted against any defendant named in such complaint, including our officers and directors, underwriters for any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering.

For the avoidance of doubt, the exclusive forum provisions described above do not apply to any claims arising under the Securities Act or the Securities Exchange Act of 1934, as amended, or the Exchange Act, to the extent federal law requires otherwise. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, and Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

The choice of forum provisions in our bylaws may limit our stockholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers, employees, agents or other third parties, which may discourage such lawsuits against us and our directors, officers, employees, agents and other third parties even though an action, if successful, might benefit our stockholders. The applicable courts may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. With respect to the provision making the Delaware Court of Chancery the sole and exclusive forum for certain types of actions, stockholders who do bring a claim in the Delaware Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Delaware. Finally, if a court were to find these provisions of our bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could have a material adverse effect on us.

General Risk Factors

Cyberattacks through security vulnerabilities could lead to disruption of our business, reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position.

Security vulnerabilities may arise from our hardware, software, employees, contractors or policies we have deployed, which may result in external parties gaining access to our networks, data centers, cloud data centers, corporate computers, manufacturing systems, and/or access to accounts we have at our suppliers, vendors or customers. External parties may gain access to our data or our customers' data, or attack the networks causing denial of service or attempt to hold our data or systems in ransom. The vulnerability could be caused by inadequate account security practices such as the failure to timely remove employee access when terminated. To mitigate these security issues, we have implemented measures throughout our organization, including firewalls, backups, encryption, employee

information technology policies and user account policies. However, there can be no assurance that these measures will be sufficient to avoid cyberattacks. If any of these types of security breaches were to occur and we were unable to protect sensitive data, our relationships with our business partners and customers could be materially damaged, our reputation could be materially harmed, and we could be exposed to a risk of litigation and possible significant liability.

Further, if we fail to adequately maintain our information technology infrastructure, we may have outages and data loss. Excessive outages may affect our ability to timely and efficiently deliver products to customers or develop new products. Such disruptions and data loss may adversely impact our ability to fulfill orders and interrupt other processes. Delayed sales or lost customers resulting from these disruptions could adversely affect our financial results, stock price and reputation.

Our and our business partners' or contractors' failure to fully comply with applicable data privacy or similar laws could lead to significant fines and require onerous corrective action. In addition, data security breaches experienced by us or our business partners or contractors could result in the loss of trade secrets or other intellectual property, public disclosure of sensitive commercial data, and the exposure of personally identifiable information (including sensitive personal information) of our employees, customers, suppliers, contractors and others.

Unauthorized use or disclosure of, or access to, any personal information maintained by us or on our behalf, whether through breach of our systems, breach of the systems of our suppliers or vendors by an unauthorized party, or through employee or contractor error, theft or misuse, or otherwise, could harm our business. If any such unauthorized use or disclosure of, or access to, such personal information was to occur, our operations could be seriously disrupted, and we could be subject to demands, claims and litigation by private parties, and investigations, related actions, and penalties by regulatory authorities. In addition, we could incur significant costs in notifying affected persons and entities and otherwise complying with the multitude of foreign, federal, state and local laws and regulations relating to the unauthorized access to, or use or disclosure of, personal information. Finally, any perceived or actual unauthorized access to, or use or disclosure of, such information could harm our reputation, substantially impair our ability to attract and retain customers and have an adverse impact on our business, financial condition and results of operations.

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

Unregistered Sales of Equity Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Dividends

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

For the three and nine months ended September 30, 2024 and 2023, we accrued and paid in cash an aggregate of $0.3 million and $0.9 million, respectively, in dividends on our Series B Cumulative Convertible Preferred Stock, or Series B Preferred Stock.

We have never declared or paid cash dividends on our common stock and do not currently intend to pay cash dividends on our common stock in the foreseeable future. We currently anticipate that we will retain any earnings for use in the continued development of our business.

The holders of our outstanding Series B Preferred Stock are entitled to dividends of 7% per annum, payable quarterly. Accrued and unpaid dividends in respect of our Series B Preferred Stock must be paid prior to the payment of any dividends in respect of shares of our common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

During the three months ended September 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) informed us of the adoption or termination of a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933, as amended).

ITEM 6. EXHIBITS.

Exhibit Number	Description
31.1	Certifications Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)
31.2	Certifications Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*)

32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*)
101.INS	Inline XBRL Instance Document (*)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (*)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (*)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (*)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (*)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (*)
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101) (*)

(*) Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALTO INGREDIENTS, INC.

Dated: November 8, 2024

By: /S/ ROBERT R. OLANDER
Robert R. Olander
Chief Financial Officer
(Principal Financial and Accounting Officer)