

ALON USA 2012 ANNUAL REPORT

Since the founding of our company there has been a consistent line of thinking.



It is a focus that drives every move we make.

That focus is to remain steadfast in

executing our plans. We work very hard to

DEAR FELLOW SHAREHOLDERS

For the past two years we have emphasized that our success comes from being intently focused on executing our plans. While there are always opportunities for improvement, we are pleased to report that our financial results and strong balance sheet reflect great progress in 2012. For the second straight year, Alon USA achieved record financial performance, with most of our businesses increasing their throughput or sales. We successfully completed an initial public offering of Alon USA Partners, LP. Most importantly, we reduced net debt by \$422 million. Here are some of the highlights from the year.

The Big Spring Refinery achieved the best financial and operating results in its history. The market continues to provide us an opportunity with discounted West Texas crude oil, and we did well to take advantage of it. Throughput at Big Spring of almost 69,000 barrels per day set a record for the refinery, and the combination of good markets and strong operations set the stage for record financial results. In November, we completed a successful initial public offering of Alon USA Partners, which includes the Big Spring Refinery and associated wholesale marketing business. The units have performed well since the offering. It is clear that the market recognizes the value and sustainable nature of Big Spring's advantages. During the year we also completed our conversion from the legacy FINA brand to our new ALON brand. We are proud of how well the process went and of the acceptance and excitement that we saw as we rolled out the ALON brand. We are now free to invest in a brand that can grow without geographical or other restrictions.

At Krotz Springs we saw much-improved profitability, driven primarily by the delivery of lower-cost West Texas crude oil to the refinery. We said last year that we had completed negotiations to reverse a pipeline to direct the crude to Krotz Springs. We were, in fact, the first company to deliver a significant amount of this resource to the Gulf Coast, and began processing the crude in early 2012. For the year we averaged just over



REFINING AND MARKETING

position our company to take advantage of market opportunities.

Big Spring

The Big Spring Refinery had its best year ever, with record-breaking throughput of nearly 69,000 barrels per day. We are taking advantage of market conditions by processing lower-cost West-Texas crude oil. We also conducted a successful IPO of Alon USA Partners, which includes Big Spring and its associated wholesale business and completed our transition from the FINA brand to our new ALON brand, which was received very favorably in the market.

Krotz Springs

Krotz Springs also took advantage of discounted West Texas crude oil, thanks to our successful negotiations to reverse a pipeline and become the first company to bring a significant volume of this resource to the Gulf Coast. This refinery processed almost 68,000 barrels per day in 2012, a sizeable increase over 2011.

California

California continues to be challenging due to high West Coast crude prices and depressed demand caused by economic struggles in the state. We know recovery is inevitable, and we are preparing. We shut down refining operations at Bakersfield and have plans underway to reconfigure the asset for better profitability and reopen in 2014.

20,000 barrels per day of West Texas crude and exceeded 30,000 barrels per day in the fourth quarter. We processed almost 68,000 barrels per day of feedstock at Krotz Springs in 2012 – an increase of almost 14% over 2011.

The market in California continued to be difficult in 2012. As in 2011, a combination of high West Coast crude prices, subdued demand for light products due to economic weakness in the state, and poor asphalt demand and pricing all provided challenges during the year. We decided to shut down refining operations in the fourth quarter, and we are working on alternatives to reconfigure our California refinery and logistical assets to improve their profitability. We have submitted environmental permit applications to bring in light crude from price-advantaged markets in the mid-continent and restart the Bakersfield Refinery as a fully integrated facility. We expect permit approval late this year and a potential restart of Bakersfield during the first half of 2014.

Our asphalt marketing business was impacted by poor demand as federal, state and local governments continue to struggle with budgets for infrastructure projects. The final numbers for 2012 are not in yet, but the domestic demand for asphalt in 2011 was the lowest since the 1950's. We continue to believe that there is increasing pent-up demand for asphalt needed to repair and rebuild our nation's aging roads, and that the market will eventually recover. In the interim, we will continue to capitalize on our strong technological position in higher-margin specialty asphalt products, control our costs, and take advantage of low-cost feedstocks to optimize this business.

Our retail segment continued the outstanding performance that we've seen over the last several years. Southwest Convenience Stores increased year-over-year retail fuel sales by 9% and in-store merchandise sales by almost 6%.



FINANCIAL STRENGTH We are happy to report that 2012 was a banner year for our balance sheet. Our operations performed well, we refinanced our term debt, and our IPO for Alon USA Partners was a resounding success. Our unwavering focus on execution has resulted in a much stronger financial position for the company.

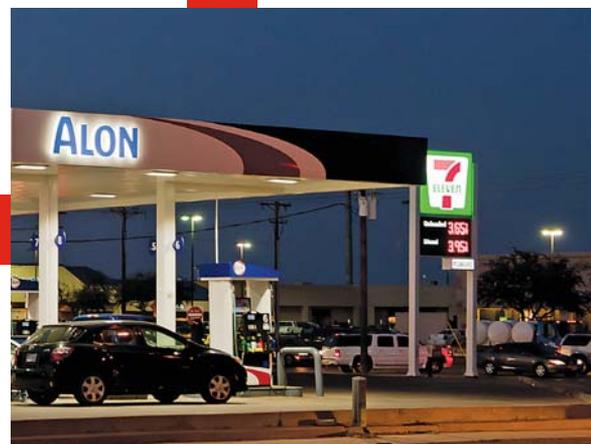
strengthening our

challenges. We are dedicated to continually

Conversely, we strive to minimize our exposure to market

RETAIL

Our retail segment continues to be an outstanding performer. In 2012 we saw increases in fuel sales and store merchandise sales.



ASPHALT

Our asphalt business continues to face poor demand as budget-constrained governments postpone their infrastructure projects.

We believe a turnaround is coming. Our nation's growing population and crumbling roads will necessitate new construction and repairs. We will be there to capitalize with our higher-margin, technologically advanced asphalt products.



financial foundation. We take care of our people, our

Finally, we can't overstate the positive impact of the many actions we took in 2012 to strengthen our balance sheet. Most importantly, the successful IPO of Alon USA Partners confirmed the value of our Big Spring Refinery and wholesale marketing assets. Thanks to the \$171 million received from the offering and cash generated from operations, we were able to reduce net debt by \$422 million in 2012. We paid off \$200 million of our term loan soon after the IPO. Finally, we completed new Supply and Offtake agreements with J. Aron for our California operations and extended these agreements through May 2019.

We remain committed to supporting the communities in which we operate. This year we highlight Vogel Alcove. For 25 years this organization has provided free high-quality child development services to Dallas-area homeless children between the ages of six weeks and five years old. It provides free childcare, educational development and case management for children and their families residing in emergency shelters or transitional housing. We are proud to support an organization that provides critical services to the most vulnerable citizens in our community.

In summary, we are very happy with our progress in 2012 and are building upon the foundation that's been established over the last several years. In 2012 we achieved the best financial results in our history and used the cash generated to significantly reduce our debt. Still, we are convinced that our best days are ahead of us. We are well positioned to take advantage of positive trends in the oil market, and our increasing financial strength gives us the flexibility to be opportunistic. As we said last year, our focus remains on execution.

Thank you for your continued investment and support.



David Wiessman
Executive Chairman of
the Board of Directors



Paul Eisman
President and
Chief Executive Officer

customers and our communities. And we never rest in our efforts to grow stronger.

Areas of Operation



Financial Highlights (dollars in thousands, except per share data)

	2012	2011	2010
Net sales	\$ 8,017,741	\$ 7,186,257	\$ 4,030,743
Operating income (loss)	\$ 269,475	\$ 181,521	\$ (160,781)
Net income (loss) available to stockholders	\$ 79,134	\$ 42,507	\$ (122,932)
Earnings (loss) per share, basic	\$ 1.29	\$ 0.77	\$ (2.27)
Net cash provided by operating activities	\$ 387,810	\$ 69,560	\$ 21,330
Total assets	\$ 2,223,574	\$ 2,330,382	\$ 2,088,521
Total equity	\$ 621,186	\$ 395,784	\$ 341,767

Operational Highlights

	2012	2011	2010
Total refinery sales volumes - barrels per day	154,700	146,149	105,868
Total asphalt sales volume (thousands of tons)	947	1,096	863
Retail fuel sales (thousands of gallons)	170,848	156,662	142,155
Merchandise sales (thousands of dollars)	\$ 315,082	\$ 298,233	\$ 281,674
Number of employees	2,824	2,824	2,821

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number: 001-32567

ALON USA ENERGY, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation)

74-2966572
(I.R.S. Employer Identification No.)

12700 Park Central Dr., Suite 1600, Dallas, Texas
(Address of principal executive offices)

75251
(Zip Code)

Registrant's telephone number, including area code: (972) 367-3600

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

Title of each class

Name of each exchange on which registered

Common Stock, par value
\$0.01 per share

New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: Series A Preferred Stock, par value \$0.01 per share

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value for the registrant's common stock held by non-affiliates as of June 30, 2012, the last day of the registrant's most recently completed second fiscal quarter was \$129,500,553.

The number of shares of the Registrant's common stock, par value \$0.01 per share, outstanding as of March 1, 2013, was 62,464,123.

Documents incorporated by reference: Proxy statement of the registrant relating to the registrant's 2013 annual meeting of stockholders, which is incorporated into Part III of this Form 10-K.

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PART I

ITEMS 1. AND 2. BUSINESS AND PROPERTIES.

Statements in this Annual Report on Form 10-K, including those in Items 1 and 2, “Business and Properties,” and Item 3, “Legal Proceedings,” that are not historical in nature should be deemed forward-looking statements that are inherently uncertain. See “Forward-Looking Statements” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 for a discussion of forward-looking statements and of factors that could cause actual outcomes and results to differ materially from those projected.

Company Overview

In this Annual Report, the words “we,” “our” and “us” refer to Alon USA Energy, Inc. and its consolidated subsidiaries or to Alon USA Energy, Inc. or an individual subsidiary, and not to any other person. Generally, the words “we”, “our” and “us” include Alon USA Partners, LP and its subsidiaries (the “Partnership”) as consolidated subsidiaries of Alon USA Energy, Inc. unless when used in disclosures of transactions or obligations between the Partnership and Alon USA Energy, Inc., or its other subsidiaries.

We are a Delaware corporation formed in 2000 to acquire a crude oil refinery in Big Spring, Texas, and related pipeline, terminal and marketing assets from Atofina Petrochemicals, Inc., or FINA. In 2006, we acquired refineries in Paramount and Long Beach, California and Willbridge, Oregon, together with the related pipeline, terminal and marketing assets, through the acquisitions of Paramount Petroleum Corporation and Edgington Oil Company. In 2008, we acquired a refinery in Krotz Springs, Louisiana through the acquisition of Valero Refining Company-Louisiana. In June 2010, we acquired a refinery in Bakersfield, California, through the purchase of substantially all of the assets of Big West of California, LLC. As of December 31, 2012, we operated 298 convenience stores in Central and West Texas and New Mexico, primarily under the 7-Eleven and Alon brand names. Our principal executive offices are located at 12700 Park Central Dr., Suite 1600, Dallas, Texas 75251, and our telephone number is (972) 367-3600. Our website can be found at www.alonusa.com.

Our stock trades on the New York Stock Exchange under the trading symbol “ALJ.” We are a controlled company under the rules and regulations of the New York Stock Exchange because Alon Israel Oil Company, Ltd. (“Alon Israel”) holds more than 50% of the voting power for the election of our directors. Alon Israel, an Israeli limited liability company, is the largest services and trade company in Israel. Alon Israel entered the gasoline marketing and convenience store business in Israel in 1989 and has grown to become a leading marketer of petroleum products and one of the largest operators of retail gasoline and convenience stores in Israel. Alon Israel is a controlling shareholder of Alon Holdings Blue Square-Israel Ltd. (“Blue Square”), a leading retailer in Israel, which is listed on the New York Stock Exchange and the Tel Aviv Stock Exchange, and Blue Square is a controlling shareholder of Dor-Alon Energy in Israel (1988) Ltd. (“Dor-Alon”), a leading Israeli marketer, developer and operator of gas stations and shopping centers, which is listed on the Tel Aviv Stock Exchange.

We file annual, quarterly and current reports and proxy statements, and file or furnish other information, with the Securities Exchange Commission (“SEC”). Our SEC filings are available to the public at the SEC’s website at www.sec.gov. In addition, we make our SEC filings available free of charge through our website at www.alonusa.com as soon as reasonably practicable after we file or furnish such material with the SEC. In addition, we will provide copies of our filings free of charge to our stockholders upon request to Alon USA Energy, Inc., Attention: Investor Relations, 12700 Park Central Dr., Suite 1600, Dallas, Texas 75251. We have also made the following documents available free of charge through our website at www.alonusa.com:

- Compensation Committee Charter;
- Audit Committee Charter;
- Corporate Governance Guidelines; and
- Code of Business Conduct and Ethics.

Business

We are an independent refiner and marketer of petroleum products operating primarily in the South Central, Southwestern and Western regions of the United States. Our crude oil refineries are located in Texas, California, Oregon and Louisiana and have a combined throughput capacity of approximately 250,000 barrels per day (“bpd”). Our refineries produce petroleum products including various grades of gasoline, diesel fuel, jet fuel, petrochemicals, petrochemical feedstocks, asphalt and other petroleum-based products.

Our presentation of segment data reflects our following three operating segments: (i) refining and marketing, (ii) asphalt and (iii) retail. In the fourth quarter of 2012, based on a change in our internal reporting structure as a result of the

Partnership's initial public offering, the branded marketing operations have been combined with the refining and marketing segment and are no longer included with the retail segment. Information for the branded marketing operations for the full year of 2012 is included in the refining and marketing segment. Information for the years ended December 31, 2011 and 2010 has been recast to provide a comparison to the current year results.

Additional information regarding our operating segments and properties is presented in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Refining and Marketing

Our refining and marketing segment includes sour and heavy crude oil refineries that are located in Big Spring, Texas; Paramount, Bakersfield and Long Beach, California; and a light sweet crude oil refinery located in Krotz Springs, Louisiana. We refer to the Paramount, Bakersfield and Long Beach refineries together as our "California refineries." These refineries have a combined throughput capacity of approximately 240,000 bpd. At our refineries, we refine crude oil into petroleum products, including gasoline, diesel fuel, jet fuel, petrochemicals, petrochemical feedstocks, asphalt, and other petroleum-based products, which are marketed primarily in the South Central, Southwestern and Western United States.

Alon USA Partners, LP (NYSE: ALDW)

On November 26, 2012, the Partnership completed its initial public offering of 11,500,000 common units representing limited partner interests at a public offering price of \$16.00 per common unit. As of December 31, 2012, the common units held by the public represent 18.4% of the Partnership's common units outstanding. Alon owns the remaining 81.6% of the Partnership's common units and Alon USA Partners GP, LLC (the "General Partner"), Alon's wholly owned subsidiary, owns 100% of the non-economic general partner interest in the Partnership.

The Partnership was formed to own, operate and grow our strategically located Big Spring refinery and its petroleum products marketing business. The Partnership is consolidated within our refining and marketing segment.

Big Spring Refinery

Our Big Spring refinery has a crude oil throughput capacity of 70,000 bpd and is located on 1,306 acres in the Permian Basin in West Texas. In industry terms, our Big Spring refinery is characterized as a "cracking refinery," which generally refers to a refinery utilizing vacuum distillation and catalytic cracking processes in addition to basic distillation, naphtha reforming and hydrotreating processes, to produce higher light product yields through the conversion of heavier fuel oils into gasoline, light distillates and intermediate products.

Major processing units at our Big Spring refinery include fluid catalytic cracking, naphtha reforming, vacuum distillation, hydrotreating and alkylation units.

Our Big Spring refinery has the capability to process substantial volumes of less expensive high-sulfur, or sour, crude oils to produce a high percentage of light, high-value refined products. Typically, sour crude oil has accounted for approximately 80.0% of the Big Spring refinery's crude oil input.

Our Big Spring refinery produces ultra-low sulfur gasoline, ultra-low sulfur diesel, jet fuel, petrochemicals, petrochemical feedstocks, asphalt and other petroleum products. This refinery typically converts approximately 90.0% of its feedstock into finished products such as gasoline, diesel, jet fuel and petrochemicals, with the remaining 10.0% primarily converted to asphalt and liquefied petroleum gas.

Big Spring Refinery Raw Material Supply

Sour crude oil has typically accounted for approximately 80% of our crude oil input at the Big Spring refinery which was primarily West Texas Sour ("WTS") crude oil. Our Big Spring refinery is the closest refinery to Midland, Texas, which is the largest origination terminal for West Texas crude oil. We believe this location provides us with the lowest transportation cost differential for West Texas crude oil of any refinery.

J. Aron and Company ("J. Aron"), through arrangements with various oil companies, currently supplies the majority of the Big Spring refinery's crude oil input materials.

Crude Oil Pipelines

We receive WTS crude oil and West Texas Intermediate (“WTI”), a light, sweet crude oil, primarily from regional common carrier pipelines. We also have the ability to access offshore domestic and foreign crude oils available on the Gulf Coast through the Amdel and White Oil pipelines. This combination of access to Permian Basin crude oil and foreign and offshore domestic crude oil from the Gulf Coast allows us to optimize our Big Spring refinery’s crude oil supply.

Permian Basin crude oil is delivered to our Big Spring refinery through the Mesa Interconnect pipeline which is connected to the Mesa pipeline system, a common carrier, and through our owned connection pipeline which is leased to Centurion Pipeline L.P. (“Centurion”) and connected to the Centurion pipeline system from Midland, Texas to Roberts Junction in Texas.

Big Spring Refinery Production

Gasoline. In 2012, gasoline accounted for approximately 50.3% of our Big Spring refinery’s production. We produce various grades of gasoline, ranging from 84 sub-octane regular unleaded to 91 octane premium unleaded, and use a computerized component blending system to optimize gasoline blending. Gasoline currently produced at the Big Spring refinery complies with the U.S. Environmental Protection Agency’s (“EPA”) ultra-low sulfur gasoline standard of 30 parts per million (“ppm”).

Distillates. In 2012, diesel and jet fuel accounted for approximately 32.5% of our Big Spring refinery’s production. All of the on-road specification diesel fuel we produce meets the EPA’s ultra-low sulfur diesel standard of 15 ppm. Our jet fuel production conforms to the JP-8 grade military specifications.

Asphalt. Asphalt accounted for approximately 5.9% of our Big Spring refinery’s production in 2012. Our asphalt facilities are capable of producing up to 30 different product formulations, including both polymer modified asphalt (“PMA”) and ground tire rubber (“GTR”) asphalt. Asphalt produced at the Big Spring refinery is transferred to our asphalt segment at prices substantially determined by reference to the cost of crude oil, which is intended to approximate bulk wholesale market prices.

Petrochemical Feedstocks and Other. We produce propane, propylene, certain aromatics, specialty solvents and benzene for use as petrochemical feedstocks, along with other by-products such as sulfur and carbon black oil. Our Big Spring refinery has sulfur processing capabilities of approximately two tons per thousand bpd of crude oil capacity, which is above the average for cracking refineries and aids in our ability to produce low sulfur motor fuels while continuing to process significant amounts of sour crude oil.

Big Spring Refinery Transportation Fuel Marketing

Our refining and marketing segment sells refined products from our Big Spring refinery in both the wholesale rack and bulk markets. Our marketing of transportation fuels produced at our Big Spring refinery is focused on portions of Texas, Oklahoma, New Mexico and Arizona through our physically integrated system. We refer to these areas as our ‘physically integrated system’ because our distributors in this region are supplied with motor fuels produced at our Big Spring refinery and distributed through a network of pipelines and terminals which we either own or have access to through leases or long-term throughput agreements.

Branded Marketing. We market motor fuels under the Alon brand name to distributors servicing approximately 640 locations, including our convenience stores. We supply our branded customers with motor fuels, brand support and payment processing services, in addition to the license of the Alon brand name and associated trade dress. In markets where we do not supply fuel products, we offer the same brand support and payment services through a licensing arrangement that is not tied to a fuel supply agreement.

Approximately 64.6% of our branded fuel sales are in West Texas and Central Texas that we own or have access rights through various terminals. For the year ended December 31, 2012, we sold 393.6 million gallons of branded motor fuel for distribution to our retail convenience stores and other retail distribution outlets. In 2012, approximately 95% of Alon’s branded marketing operations, including retail operations, were supplied by our Big Spring refinery.

We have operated under an exclusive license to use the FINA trademark in the wholesale distribution of motor fuel within Texas, Oklahoma, New Mexico, Arizona, Arkansas, Louisiana, Colorado and Utah since 2000. Our license to use the FINA brand expired in August 2012 in accordance with its terms. We developed the Alon brand and logo in anticipation of this license expiration and converted all of our locations and substantially all locations served by our branded marketing business to the new Alon brand. Under the Alon brand we are no longer subject to the geographic limitations contained in the FINA license agreement.

Distribution Network and Distributor Arrangements. We sell motor fuel to our retail locations and to approximately 21 third-party distributors, who then supply and sell to retail outlets. The supply agreements we maintain with our distributors are generally for three-year terms and usually include 10-day payment terms. All supplied distributors comply with our ratability program, which involves incentives and penalties based on the consistency of their purchases.

Brand Licensing. We offer Alon brand licensing to distributors supplying geographic areas other than our integrated supply system. In addition to a license to use the brands, we also provide payment card processing services, advertising programs and loyalty and other marketing programs to 36 distributors supplying approximately 115 additional stores. As part of the brand conversion process, all legacy FINA licenses have been converted to Alon licenses. This licensing program allows us to expand the geographic footprint of our brand, thereby increasing its recognition. Each licensee pays royalties on a per gallon basis and is required to comply with the minimum standards program and utilize our payment card processing services.

Unbranded Marketing. We presently sell a majority of the diesel fuel and approximately 23.1% of the gasoline produced at our Big Spring refinery on an unbranded basis, largely sold through our physically integrated system. We market substantially all the jet fuel produced at our Big Spring refinery as JP-8 grade to the Defense Energy Supply Center. Jet fuel production in excess of existing contracts is sold through unbranded rack sales. We sell transportation fuel production in excess of our branded and unbranded marketing needs through bulk sales and exchange channels with various oil companies and traders.

Big Spring Product Pipelines

The product pipelines we utilize to deliver refined products from our Big Spring refinery are linked to major third-party product pipelines in the geographic area around our Big Spring refinery. These pipelines provide us flexibility to optimize product flows into multiple regional markets. This product pipeline network can also (1) receive additional transportation fuel products from the Gulf Coast through the Delek product terminal and Magellan pipelines, (2) deliver and receive products to and from the Magellan system, our connection to the Group III, or mid-continent markets, and (3) deliver products to the New Mexico and Arizona markets through third-party systems.

Product Terminals

We primarily utilize six product terminals in Big Spring, Abilene, Orla, Southlake and Wichita Falls, Texas and Duncan, Oklahoma to market transportation fuels produced at our Big Spring refinery. All six of these terminals are physically integrated with our Big Spring refinery through the product pipelines we utilize. Four of these six terminals, Big Spring, Abilene, Southlake and Wichita Falls, are equipped with truck loading racks. The other two terminals, Duncan, Oklahoma and Orla, Texas, are used for delivering shipments into third-party pipeline systems. We also have direct access to three other terminals located in El Paso, Texas and Tucson and Phoenix, Arizona.

California Refineries and Terminals

In August 2006 we acquired Paramount Petroleum Corporation. Paramount Petroleum Corporation's assets included two refineries located in Paramount, California and Willbridge, Oregon with a combined refining capacity of 66,000 bpd, seven asphalt terminals located in Washington (Richmond Beach), California (Elk Grove and Mojave), Arizona (Phoenix, Fredonia and Flagstaff), and Nevada (Fernley) (50% interest), and a 50% interest in Wright Asphalt Products Company, LLC ("Wright"), which specializes in patented ground tire rubber modified asphalt products. Our Paramount refinery has a crude oil throughput capacity of 54,000 bpd and is located on 63 acres in Paramount, California. In industry terms, the Paramount refinery is characterized as a "hydroskimming refinery" which is a more complex refinery configuration than a "topping refinery" (described below), adding naphtha reforming, hydrotreating and other chemical treating processes to the distillation process. In addition to producing vacuum gas oil and asphalt, our Paramount refinery utilizes naphtha reforming and hydrotreating to produce gasoline and distillate products from the light oil streams resulting from the distillation process.

In September 2006 we acquired Edgington Oil Company. Edgington Oil Company's assets included a refinery located on 19 acres in Long Beach, California with a nameplate capacity of approximately 40,000 bpd. In industry terms, the Long Beach refinery is characterized as a "topping refinery" which generally refers to a low complexity refinery configuration consisting primarily of a distillation unit. Distillation is the first step in the refining process — separating crude oil into its constituent petroleum products. The Long Beach refinery primarily produces vacuum gas oil and asphalt.

In June 2010 we acquired a refinery located in Bakersfield, California from Big West of California, LLC, a subsidiary of Flying J, Inc. The Bakersfield refinery is located on approximately 600 acres in Bakersfield, California, with a nameplate capacity of approximately 70,000 barrels. The Bakersfield refinery is characterized as a "coking refinery", which generally refers to a refinery utilizing vacuum distillation, hydrocracking and delayed coking processes in addition to basic distillation, naphtha reforming and hydrotreating processes, to produce higher light product yields through the conversion of heavier fuel oils into gasoline, light distillates and intermediate products. At this time, we are not operating the refinery as a traditional coking refinery. Instead, we are processing untreated vacuum gas oil produced by our other California refineries through the hydrocracker and other hydrotreating units located at the Bakersfield refinery. This allows us to convert this untreated vacuum gas oil, which was previously sold to the market at prices typically below the cost of crude, to lighter products such as CARBOB gasoline, CARB diesel, and other petroleum products. In December 2012, the California refineries suspended operations, which included the Bakersfield hydrocracker.

We refer to the Paramount, Bakersfield and Long Beach refineries together as our “California refineries.” Our California refineries are included in our refining and marketing segment, while our refinery in Willbridge is included in our asphalt segment.

Our California refineries have the capability to process substantial volumes of heavy crude oils. In 2012, at the California refineries, medium sour crude oil accounted for approximately 53.0% of crude oil input and heavy crude oil accounted for 47.0%. The Paramount and Long Beach refineries are connected by pipelines we own.

Our California refineries currently produce CARBOB gasoline, CARB diesel, jet fuel, asphalt and other petroleum products. During 2012 these refineries converted approximately 57.2% of crude oil into higher value products such as gasoline, diesel and jet fuel, and 28.2% converted to asphalt, fuel oil and sulfur. The remaining 14.6% of production was sold as unfinished feedstocks to other refineries and third parties.

Our California refineries operated at low rates for 2012, 2011 and 2010 due to continued efforts to optimize asphalt production with demand. During 2012, we averaged approximately 23.6% utilization of our California refineries’ crude oil throughput capacity. We continuously evaluate and optimize throughput at our California refineries based on the margin environment.

California Refineries Raw Material Supply

During 2012, heavy crude oil accounted for approximately 47.0% of our crude oil input of which approximately 13.2% was California heavy crude oil. As a result of the proximity of the California refineries to the Port of Los Angeles and the Port of Long Beach, we have access to a variety of domestic and foreign crude oils that are available on the West Coast. Our California refineries receive crude oil primarily from common carrier, private carrier and our owned pipelines. In February 2012, we entered into an agreement with J. Aron to supply a majority of the California refineries' crude oil input requirements. Other feedstocks, including butane and gasoline blendstocks, are delivered by truck and pipeline.

Crude Oil Pipelines

The Paramount refinery is supplied by the Chevron Crude pipeline (heavy sour) and Paramount Crude pipeline (medium/heavy sour). The Long Beach refinery is supplied by the No. 3/No. 4 pipelines (heavy sour) and the BP pipeline (medium sour). As a supplement to our on-site storage facilities, we lease storage tanks located at the BP-owned East Hynes, the Plains West Hynes, and the Kinder Morgan Carson crude oil terminals. Additionally, we acquire California medium sour crude oil from the West Hynes terminal and utilize the Plains Dominguez and Long Beach terminals pursuant to throughput arrangements. This combination of storage capacity and throughput arrangements allows the California refineries to receive and optimize the crude slate of waterborne domestic and foreign crude oil, along with California crude oil.

We also utilize our crude oil and unfinished products pipeline system known as the “Black Oil System” to provide our Paramount refinery and other third-party shippers with access to refineries and waterborne terminals.

California Refineries Production

Gasoline. In 2012, CARBOB and other unfinished gasolines accounted for approximately 20.8% of our California refineries’ production. The California refineries utilize a computerized component blending system to optimize gasoline blending.

Distillates. In 2012, CARB diesel, Ultra-low sulfur EPA diesel, Jet A and military fuels accounted for approximately 36.4% of our California refineries’ production. All of the diesel fuel we produce is ultra-low sulfur CARB/EPA diesel. We produce both commercial Jet A and JP-8 grade military jet fuel.

Asphalt. In 2012, asphalt accounted for approximately 25.6% of our California refineries’ production. Asphalt produced at the California refineries is transferred to our asphalt segment at prices substantially determined by reference to the cost of crude oil, which is intended to approximate wholesale market prices.

Light and Heavy Unfinished Feedstocks. We produce LPG, naphtha, unfinished distillates, fuel oil and gas oils used as refinery feedstocks, along with other by-products such as sulfur and fuel oil, all of which is sold to third parties via pipeline and truck on either a contract or spot basis. The gas oils are sent to our Bakersfield facility for further processing into gasoline and diesel. These gas oils can still be sold to third parties if necessary.

California Refineries Transportation Fuel Marketing

Our refining and marketing segment sells refined products from our California refineries in both the wholesale rack and bulk markets. Our marketing of gasoline and diesel fuels is focused on the Southern California market. We market a portion of the CARBOB gasoline and CARB diesel produced at our California refineries through the refinery rack on an unbranded and delivered basis to wholesale distributors. The remainder of our CARB diesel and our CARBOB gasoline production is sold through the spot market and term contracts to other refiners and to third parties and for delivery by pipeline.

We market our jet fuel as Jet A that is sold through the spot market, while our JP-8 military jet fuel is contracted to the DESC. All JP-8 grade is sold to the DESC under one-year contracts awarded through a competitive bidding process. All of our light products are delivered to our customers via our Line 145 pipeline or the Paramount rack system.

We sell transportation fuel production in excess of our unbranded marketing needs through bulk sales and exchange channels. These bulk sales and exchange arrangements are entered into with various oil companies and traders and are transported through our product pipeline network to the Kinder Morgan terminal located in Carson, California.

California Product Pipelines/Terminal

The Paramount refinery utilizes the Line 145 product pipeline and our Line 166 pipelines to ship products to the Kinder Morgan product terminal in Carson, California. The Kinder Morgan product terminal gives us access to the Kinder Morgan product rack, the Kinder Morgan Pacific pipeline to Phoenix, Arizona, and the Kinder Morgan CalNev pipeline to Las Vegas, Nevada.

The Paramount refinery also utilizes its own terminal at the refinery to distribute CARB diesel, California Reformulated Gasoline (CaRFG), F76 distillate fuel, JP-8 and Jet-A into the local market. This terminal is equipped with a truck loading rack that has permitted volumes of approximately 12,000 bpd of distillate and 13,000 bpd of gasoline.

California Feedstock Pipelines

The Paramount refinery operates a feedstock pipeline and terminal system that is used to supply gas oil and other unfinished product to other Los Angeles Basin refineries and third party terminals. The Black Oil System acquired in June 2007 provides our Paramount refinery and other third-party shippers with access to refineries and waterborne terminals. In 2008 we acquired portions of BP's E-12A pipeline and Plain's L-52 pipeline. These lines are connected to our Line 35, increasing the integration between our Paramount and Long Beach refineries.

Krotz Springs Refinery

In July 2008 we acquired Valero Refining Company — Louisiana. Valero Refining Company — Louisiana's assets included a refinery with a nameplate capacity of approximately 83,100 bpd located in Krotz Springs, Louisiana.

The Krotz Springs refinery is strategically located on approximately 381 acres on the Atchafalaya River in central Louisiana at the intersection of two crude oil pipeline systems and has direct access to the Colonial pipeline system ("Colonial Pipeline"), providing us with diversified access to both locally sourced and foreign crude oils, as well as distribution of our products to markets throughout the Southern and Eastern United States and along the Mississippi and Ohio Rivers. In industry terms, the Krotz Springs refinery is characterized as a "mild residual cracking refinery," which generally refers to a refinery utilizing vacuum distillation and catalytic cracking processes in addition to basic distillation and naphtha reforming processes to minimize low quality black oil production and to produce higher light product yields such as gasoline, light distillates and intermediate products.

The Krotz Springs refinery processing units are structured to yield approximately 101.5% of total feedstock input, meaning that for each 100 barrels of crude oil and feedstocks input into the refinery, it produces 101.5 barrels of refined products. Of the 101.5%, on average 99.0% is light finished products such as gasoline and distillates, including diesel and jet fuel, petrochemical feedstocks and liquefied petroleum gas, and the remaining 2.5% is primarily heavy oils.

The Krotz Springs refinery's main processing units include a crude unit and an associated vacuum unit, a fluid catalytic cracking unit, a catalytic reformer unit, a polymerization unit, and an isomerization unit.

Our Krotz Springs refinery has the capability to process substantial volumes of low sulfur, or sweet, crude oils to produce a high percentage of light, high-value refined products. Typically, sweet crude oil has accounted for 100% of the Krotz Springs refinery's crude oil input.

Krotz Springs Refinery Raw Material Supply

In 2012, the Krotz Springs refinery received crude oil from West Texas through the Amdel pipeline, which terminates at the Nederland terminal. The crude oil is then transported from the Nederland terminal to the Krotz Springs refinery via the Intracoastal Canal and the Atchafalaya River. The Krotz Springs refinery also has access to various types of domestic and foreign crude oils via an ExxonMobil pipeline ("EMPCo"), barge delivery, or truck rack delivery. Approximately 52% of the crude oil is received by pipeline with the remainder received by barge or truck.

We receive Light Louisiana Sweet ("LLS") and foreign crude oils from the EMPCo "Northline System." The Northline System delivers LLS and foreign crude oils from the St. James, Louisiana crude oil terminalling complex.

In 2012, sweet crude oil accounted for all of the crude oil inputs at the Krotz Springs refinery, of which approximately 70.0% was Gulf Coast sweet crude oils and 30.0% was WTI priced crude oil.

Historically, approximately three-quarters of our Krotz Springs refinery's crude oil input requirements are purchased through term contracts with several suppliers. At present, J. Aron, through arrangements with various oil companies, supplies the majority of Krotz Springs refinery's crude oil input requirements. Other feedstocks, including butane and secondary feedstocks, are delivered by truck and marine transportation.

Krotz Springs Refinery Production

Gasoline. In 2012, gasoline accounted for approximately 42.4% of our Krotz Springs refinery's production. We produce 87 octane regular unleaded gasoline and use a computerized component blending system to optimize gasoline blending. Our Krotz Springs refinery is capable of producing regular unleaded gasoline grades required in the southern and eastern U.S. markets.

Distillates. In 2012, diesel, light cycle oil and jet fuel accounted for approximately 41.4% of our Krotz Springs refinery's production. In connection with the acquisition of the Krotz Springs refinery in 2008, we entered into an offtake agreement with Valero Energy Corporation ("Valero") that provides for Valero to purchase, at market prices, light cycle oil and high sulfur distillate blendstock for a period of five years.

Heavy Oils and Other. In 2012, slurry oil, LPG and petrochemical feedstocks accounted for approximately 16.2% of the Krotz Springs refinery's production.

Krotz Springs Refinery Transportation Fuel Marketing

Substantially all of the refined products produced by our Krotz Springs refinery are sold to J. Aron as they are produced. We market transportation fuel production through bulk sales and exchange channels. These bulk sales and exchange arrangements are entered into with various oil companies and traders and are transported to markets on the Mississippi River and the Atchafalaya River as well as to the Colonial Pipeline.

Krotz Springs Refinery Product Pipelines

The Krotz Springs refinery connects to and distributes refined products into the Colonial Pipeline for distribution by our customers to the Southern and Eastern United States. The 5,519 mile Colonial Pipeline transports products to 267 marketing terminals located near the major population centers. The connection to the Colonial Pipeline provides flexibility to optimize product flows into multiple regional markets.

Krotz Springs Refinery Barge, Railcar and Truck

Products not shipped through the Colonial Pipeline, such as high sulfur diesel sold to Valero pursuant to our offtake agreement with Valero, are transported via barge for sale. Barges have access to both the Mississippi and Ohio Rivers.

Propylene/propane mix is sold via railcar and truck, to consumers at Mont Belvieu, Texas or in adjacent Louisiana markets. Mixed LPGs are shipped on to an LPG fractionator at Napoleonsville, Louisiana. We pay a fractionation fee and sell the ethane and propane to a regional chemical company under contract, transport the normal butane back to the Krotz Springs refinery via truck for blending, and sell the isobutane and natural gasoline on a spot basis.

Asphalt

In addition to gasoline and distillates, our California and Big Spring refineries produce significant quantities of vacuum tower bottoms ("VTB"), which we utilize to produce asphalt. We believe our asphalt production capabilities provides the opportunity to realize higher netbacks than those attainable by producing VTB into No. 6 Fuel Oil, which is an alternate product that can be produced at these refineries. In addition, our asphalt production capabilities permit us to realize value from VTB without the significant costs and expenses required to operate coker units.

The amount of asphalt produced at our refineries, as a percentage of throughput, varies depending on the configuration of the specific refinery, the crude oils processed at each refinery, the techniques used in the refining process and the type and quality of the asphalt produced. In 2012, approximately 5.9% of our Big Spring refinery's production and 25.6% of our California refineries' production was asphalt. As part of our efforts to maximize the return generated by the production of asphalt, we have an exclusive license to use FINA's advanced asphalt-blending technology in West Texas, Arizona, New Mexico and Colorado and a non-exclusive license in Idaho, Montana, Nevada, North Dakota, Utah and Wyoming, with respect to asphalt produced at our Big Spring refinery, and a patented GTR asphalt manufacturing process from Wright with respect to asphalt produced and sold in California.

Asphalt produced by our California and Big Spring refineries is transferred to the asphalt segment at prices substantially determined by reference to the cost of crude oil, which is intended to approximate wholesale market prices.

Our Willbridge refinery is an asphalt topping refinery located on 42 acres in the industrial section of Portland, Oregon, with a crude oil throughput capacity of 12,000 bpd. Alternatively, we currently operate the Willbridge facility as an asphalt terminal and supply it with asphalt produced at the California refineries or purchased from third parties. Including the

Willbridge refinery, our asphalt segment includes 11 refinery/terminal locations in Texas (Big Spring), California (Paramount, Long Beach, Elk Grove, Bakersfield and Mojave), Washington (Richmond Beach), Arizona (Phoenix and Flagstaff) and Nevada (Fernley) (50% interest) as well as a 50% interest in Wright.

In 2012, our asphalt segment sold asphalt produced at our refineries in Texas and California primarily as paving asphalt to road and materials manufacturers and highway construction/maintenance contractors, as GTR, polymer modified or emulsion asphalt to highway maintenance contractors, or as roofing asphalt to either roofing shingle manufacturers or to other industrial users. Sales of asphalt, particularly paving asphalts, are seasonal with products predominately sold between May and October 2012.

We also own a 50% interest in Wright, which holds the licensing rights to a patented GTR manufacturing process for paving asphalts. Wright licenses this proprietary technology from Neste/Wright Asphalt Company under a perpetual license that covers all of North America, except California. In California we maintain the exclusive license. Wright's operations consist of sublicensing the patented technology to parties to manufacture the GTR asphalt for Wright to sell at various Alon-owned or third party-owned facilities in Texas, Arizona, Oregon and Oklahoma. Wright also purchases and resells various other paving asphalts in these markets. During 2012, Wright obtained approximately 83% of its asphalt requirements from our refineries and terminals. Wright sells GTR and its other asphalt products on either a negotiated contract or competitive bidding basis.

Retail

We are the largest 7-Eleven licensee in the United States and through our 7-Eleven licensing agreement have the exclusive right to operate 7-Eleven convenience stores in substantially all of our existing retail markets and many surrounding areas. As of December 31, 2012, we operated 298 owned and leased convenience store sites primarily in Central and West Texas and New Mexico. Our convenience stores typically offer various grades of gasoline, diesel fuel, food products, tobacco products, non-alcoholic and alcoholic beverages and general merchandise to the public.

The following table shows our owned and leased convenience stores by location:

Location	Owned	Leased	Total
Big Spring, Texas	6	2	8
Wichita Falls, Texas	9	2	11
Waco, Texas	11	—	11
Midland, Texas	10	7	17
Lubbock, Texas	17	4	21
Albuquerque, New Mexico	12	11	23
Odessa, Texas	13	22	35
Abilene, Texas	33	8	41
El Paso, Texas	13	70	83
Other locations in Central and West Texas	29	19	48
Total stores	153	145	298

The merchandise requirements of our convenience stores are serviced at least weekly by over 100 direct-store delivery, or ("DSD"), vendors. In order to minimize costs and facilitate deliveries, we utilize a single wholesale distributor, Core-Mark Mid-Continent, Inc., for non-DSD products. We purchase the products from Core-Mark at cost plus an agreed upon mark-up. Our current supply contract with CoreMark was entered into in January 2012 and expires in December 2017.

We are party to a license agreement with 7-Eleven, Inc. which gives us a perpetual license to use the 7-Eleven trademark, service name and trade name in West Texas and a majority of the counties in New Mexico in connection with our convenience store operations. 7-Eleven, Inc. has advised us that we are the largest 7-Eleven licensee in the United States based on the number of stores.

Competition

The petroleum refining and marketing industry continues to be highly competitive. Many of our principal competitors are integrated, multi-national oil companies (e.g., Valero, Chevron, ExxonMobil, Shell and ConocoPhillips) and other major independent refining and marketing entities that operate in our market areas. Because of their diversity, integration of operations and larger capitalization, these major competitors may have greater financial support and diversity with a potential better ability to bear the economic risks, operating risks and volatile market conditions associated with the petroleum industry.

The principal competitive factors affecting our refining and marketing segment are costs of crude oil and other feedstocks, refinery efficiency, operating costs, refinery product mix and costs of product distribution and transportation.

All of our crude oil and feedstocks are purchased from third-party sources, while some of our vertically-integrated competitors have their own sources of crude oil that they may use to supply their refineries. However, our Big Spring refinery is in close proximity to Midland, Texas, which is the largest origination terminal for Permian Basin crude oil, which we believe provides us with transportation cost advantages over many of our competitors in this region.

The market for our refined products are generally supplied by a number of refiners, including large integrated oil companies or independent refiners. These larger companies typically have greater resources and may have greater flexibility in responding to volatile market conditions or absorbing market changes.

The Longhorn pipeline runs approximately 700 miles from the Houston area of the Gulf Coast to El Paso and has an estimated maximum capacity of 225,000 bpd. This pipeline was reversed in 2012 and currently transports lower costs WTI to Gulf Coast refiners, which include some of the world's largest and most complex refineries, which results in greater competition to our Krotz Springs refinery.

The principal competitive factors affecting our marketing business are price and quality of products, reliability and availability of supply and location of distribution points.

We compete in the asphalt market with various refineries including Valero, Shell, Tesoro, U.S. Oil, Western, San Joaquin Refining, Ergon and Holly as well as regional and national asphalt marketing companies that have little or no associated refining operations such as NuStar Energy LP. The principal factors affecting competitiveness in asphalt markets are cost, supply reliability, consistency of product quality, transportation cost and capability to produce the range of high performance products necessary to meet the requirements of customers.

Our major retail competitors include Valero, Chevron, ConocoPhillips, Susser (Stripes® brand), Alimentation Couche-Tard Inc. (Circle K® brand), Western Refining and various other independent operators. The principal competitive factors affecting our retail segment are location of stores, product price and quality, appearance and cleanliness of stores and brand identification. We expect to continue to face competition from large, integrated oil companies, as well as from other convenience stores that sell motor fuels. Increasingly, national grocery and dry goods retailers such as Wal-Mart, Kroger and Costco, as well as regional grocers and retailers, are entering the motor fuel retailing business. Many of these competitors are substantially larger than we are, and because of their diversity, integration of operations and greater resources, may be better able to withstand volatile market conditions and lower profitability because of competitive pricing and lower operating costs.

Government Regulation and Legislation

Environmental Controls and Expenditures

Our operations are subject to extensive and frequently changing federal, state, regional and local laws, regulations and ordinances relating to the protection of the environment, including those governing emissions or discharges to the air, water, and land, the handling and disposal of solid and hazardous waste and the remediation of contamination. We believe our operations are generally in substantial compliance with these requirements. Over the next several years our operations will have to meet new requirements being promulgated by the EPA and the states and jurisdictions in which we operate.

Environmental Expenditures

Fuels

The Clean Air Act and its implementing regulations require significant reductions in the sulfur content in gasoline and diesel fuel. These regulations required most refineries to reduce the sulfur content in gasoline to 30 ppm and diesel to 15 ppm.

Gasoline and diesel produced at our Big Spring and California refineries currently meet the low sulfur gasoline and diesel fuel standards. Gasoline produced at our Krotz Springs refinery currently meets the low sulfur gasoline standard. Our Krotz Springs refinery does not manufacture low sulfur diesel fuel. The EPA is expected to publish a proposed rule to further reduce sulfur in gasoline and diesel fuel in 2013. Depending on the final standard, one or more of our refineries may be required to install controls to further reduce sulfur. The need for or costs of any such controls is not known at this time.

In 2007 the EPA adopted final rules to reduce the levels of benzene in gasoline on a nationwide basis. More specifically, beginning in 2011, refiners were required to meet an annual average gasoline benzene content standard of 0.62%, which may be achieved through the purchase of benzene credits, and that beginning on July 1, 2012, refiners were required to meet a maximum average gasoline benzene concentration of 1.30%, by volume on all gasoline produced, both reformulated and conventional and without benzene credits. Gasoline produced at our California refineries already meets the standards established by the EPA. We have spent \$14.2 million through 2012 in order for the Big Spring refinery to install controls to comply with the standards. We have spent \$10.3 million through 2012 in order for the Krotz Springs refinery to install controls to meet the standards. On April 12, 2012, the EPA granted an extension of time through December 31, 2012 to comply with the annual average standard at our Krotz Springs refinery.

We are subject to the renewable fuel standard which requires refiners to blend renewable fuels (e.g., ethanol, biodiesel) into their finished transportation fuels or purchase renewable energy credits, called RINs, in lieu of blending. The EPA generally establishes new annual renewable fuel percentage standards for each compliance year in the preceding year. For 2012, the EPA raised the renewable fuel percentage standard to approximately 9%. The EPA has not yet finalized the 2013 renewable fuel percentage standard, but has proposed to raise it to approximately 9.6%. Each of our refineries received an extension of the deadline to comply with the renewable fuel standard. Therefore, we have not been required to blend renewable fuels or purchase RINs for compliance until 2013.

Regulations

Conditions may develop that require additional capital expenditures at our refineries, product terminals and retail gasoline stations (operating and closed locations) for compliance with the Federal Clean Air Act and other federal, state and local requirements. We cannot currently determine the amounts of such future expenditures.

Compliance

In 2006, the Governor of California signed into law AB 32, the California Global Warming Solutions Act of 2006. Regulations implementing the goals stated in the law, i.e., the reduction of greenhouse gas (“GHG”) emission levels to 1990 levels through a market based "cap-and-trade" program, have been issued. Although ongoing legal challenges could disrupt implementation of the program, it is expected that AB 32 mandated reductions will require increased emission controls on both stationary and non-stationary sources and will result in requirements to significantly reduce GHGs from our California refineries and possibly our other California terminals.

While it is possible that the federal government will adopt some form of federal mandatory GHG emission reductions legislation in the future, the timing and specific requirements of any such legislation are uncertain at this time.

Beginning in January 2011, facilities already subject to the Prevention of Significant Deterioration and Title V operating permit programs that increase their emissions of GHGs by 75,000 tons per year were required to install control technology, known as “Best Available Control Technology,” to address the GHG emissions.

In October 2006, we were contacted by Region 6 of the EPA and invited to enter into discussions under the EPA's National Petroleum Refinery Initiative. This initiative addresses what the EPA deems to be the most significant Clean Air Act compliance concerns affecting the petroleum refining industry. To date, at least 31 refining companies (representing over 90% of the U.S. refining capacity) have entered into “global settlements” under the initiative. If we enter into a global settlement, it would apply to our Big Spring refinery, our Paramount and Long Beach refineries and our Willbridge, Oregon asphalt terminal. Based on prior settlements that the EPA has reached with other petroleum refineries under the initiative, we anticipate that the EPA will seek relief in the form of the payment of a civil penalty, the installation of air pollution controls, enhanced operations and maintenance programs, and the implementation of environmentally beneficial projects in consideration for a broad release from liability for violations that may have occurred historically. At this time, we cannot estimate the cost of any required controls or environmentally beneficial projects, but the control requirements and civil penalty are expected to be comparable to other settling refiners.

The Krotz Springs and Bakersfield refineries were subject to “global settlements” with the EPA under the National Petroleum Refining Initiative, when we acquired them. In return for agreeing to the consent decree and implementing the reductions in emissions that it specifies, the refineries secured broad releases of liability that provide immunity from enforcement actions for alleged past non-compliance under each of the Clean Air Act programs covered by the consent decree. If we are unable to meet the agreed upon reductions without add-on controls, our capital costs could increase. Because the Krotz Springs refinery remains subject to the Valero consent decree, we entered into an agreement with Valero at the time of the acquisition allocating responsibilities under the consent decree. We are responsible for implementing only those portions of the consent decree that are specifically and uniquely applicable to the Krotz Springs refinery.

The Bakersfield refinery became subject to a global settlement with the EPA in 2001. Currently, the only continuing requirements are periodic audits of its Leak Detection and Repair program and enhanced sampling and reporting under the Benzene Waste Operations NESHAP. As part of the global settlement, the Bakersfield refinery was required to perform an evaluation of and has accepted subpart J applicability for two of its pre-1973 flares. System modifications may be needed to comply with emission limits. The costs of any such modifications are unknown at this time. The compliance date has been proposed as January 1, 2017, coincident with the compliance date in local flare Rule 4311.

On July 15, 2010, the EPA disapproved Texas' “flexible permit program” and indicated that sources operating under a flexible permit issued by the Texas Commission on Environmental Quality (“TCEQ”) are not properly permitted and are subject to enforcement. To address the EPA's concerns, we have applied for a non-flexible permit. The Big Spring refinery is one of over 100 regulated facilities in Texas that will be required to obtain a new, non-flexible permit. We do not anticipate that the new non-flexible permit will require new pollution control equipment or a change in our operations. On August 13, 2012, the U.S. Fifth Circuit Court of Appeals vacated the EPA's final rule disapproving Texas' flexible permit program and remanded

the program back to the EPA for further considerations. We are presently assessing our Big Spring refinery's air emissions permitting alternatives as a result of this ruling.

On August 14, 2012, the EPA sent letters to the petroleum refining industry regarding the EPA's recently issued enforcement alert entitled EPA Enforcement Targets Flaring Efficiency Violations. The Enforcement Alert identified new standards that refiners are required to meet for combustion efficiency. The EPA has already commenced enforcement against several refining companies and we understand that other settlement negotiations are underway.

Remediation Efforts. We are currently remediating historical soil and groundwater contamination at our Big Spring refinery. To date, we have substantially completed the remediation of the potentially contaminated areas and continue to monitor and treat groundwater at the site. The costs incurred to comply with the compliance plan were covered, with certain limitations, by an environmental indemnity provided by FINA that covered remediation costs incurred for ten years after the July 2000 closing date with an aggregate indemnification cap of \$20.0 million. We are also remediating historical soil and groundwater contamination at the Abilene, Southlake, and Wichita Falls terminals that we acquired from FINA at the time of the refinery acquisition, which were also covered by the FINA indemnity.

We are currently engaged in four separate remediation projects in the Los Angeles area. Two projects focus on clean-up efforts in and around the Paramount refinery and the Lakewood Tank Farm. Our Paramount subsidiary shares the cost of both these remediation projects with ConocoPhillips, the former owner of the Paramount refinery and Lakewood Tank Farm. Another project focuses on efforts at the Long Beach refinery, with the costs being shared with Apex Oil Co., the former owner of the Long Beach refinery. As part of our acquisition of Pipeline 145, we assumed an active remediation project designed to clean up a leak that occurred on this pipeline prior to our ownership and is currently being remediated. Approximately \$3.0 million was spent in 2012 for all of these remediation projects of which our portion was \$2.0 million. We estimate that an additional \$1.9 million will be spent in 2013 with our portion being approximately \$1.3 million.

In conjunction with our acquisition of the Long Beach refinery, we acquired a seven-year environmental insurance policy, the premiums for which have been prepaid in full. This policy provides us coverage for both known and unknown conditions existing at the refinery at the time of our acquisition for off-site, third party bodily injury and property damage claims. The policy limit on a per occurrence and aggregate basis is \$15.0 million and has a per occurrence deductible of \$0.5 million.

On March 1, 2005, our Paramount subsidiary purchased Chevron's Pacific Northwest Asphalt business. As part of the purchase and sale agreement, the parties agreed to share the remediation costs at the Richmond Beach, Washington and Willbridge, Oregon terminals. Approximately \$0.4 million was spent in 2012 for these remediation costs, of which our portion was \$0.1 million, and we estimate an additional \$0.7 million will be spent during 2013.

In conjunction with our acquisition of the Bakersfield refinery on June 1, 2010, we entered into an indemnification agreement with a prior owner for remediation expenses of conditions that existed at the Bakersfield refinery on the acquisition date. We are required to make indemnification claims to the prior owner by March 15, 2015. Approximately \$2.2 million was spent in 2012 for these remediation costs, of which our portion was \$0.6 million. We estimate that an additional \$3.3 million will be spent during 2013, of which our portion will be \$0.1 million. Additionally, the local Water Board has issued a draft Clean-up and Abatement Order that is still under negotiation. Depending on the scope of the remedial action ultimately required under this order, we may be required to make additional capital expenditures which cannot be estimated at this time.

In addition, a majority of our owned and leased convenience stores have underground gasoline and diesel fuel storage tanks. Compliance with federal and state regulations that govern these storage tanks can be costly. The operation of underground storage tanks also poses various risks, including soil and groundwater contamination. We are currently investigating and remediating leaks from underground storage tanks at some of our convenience stores, and it is possible that we may identify more leaks or contamination in the future that could result in fines or civil liability for us. We have established reserves in our financial statements in respect of these matters to the extent that the associated costs are both probable and reasonably estimable. We cannot assure you, however, that these reserves will prove to be adequate.

Environmental Insurance. We purchased two environmental insurance policies to cover expenditures not covered by the FINA indemnification agreement, the premiums for which have been paid in full. Under an environmental clean-up cost containment, or cost cap policy, we are insured for remediation costs for known conditions at the time of our acquisition of the Big Spring refinery. This policy has an initial retention of \$20.0 million during the first ten years after the acquisition (coinciding with the FINA indemnity), which retention is increased by \$1.0 million annually during the remainder of the term of the policy. Under an environmental response, compensation and liability insurance policy, or ERCLIP, we are insured for bodily injury, property damage, clean-up costs, legal defense expenses and civil fines and penalties relating to unknown conditions and incidents. The ERCLIP policy is subject to a \$100,000 per claim / \$1.0 million aggregate sublimit on liability for civil fines and penalties and a retention of \$150,000 per claim in the case of civil fines or penalties. Both the cost cap policy and ERCLIP have a term of twenty years and share a maximum aggregate limit of \$40.0 million. The insurer under these policies is The Kemper Insurance Companies, which has experienced significant downgrades of its credit ratings in recent years

and is currently in run-off. However, we have no reason to believe at this time that Kemper will be unable to comply with its obligations under these policies.

Environmental Indemnity to HEP. In connection with our sale of pipelines and terminals to Holly Energy Partners ("HEP"), we entered into an Environmental Agreement pursuant to which we agreed to indemnify HEP against costs and liabilities incurred by HEP to the extent resulting from the existence of environmental conditions at the pipelines or terminals prior to the sales or from violations of environmental laws with respect to the pipelines and terminals occurring prior to the sale. Our environmental indemnification obligations under the Environmental Agreement expire after February 2015. In addition, our indemnity obligations are subject to HEP first incurring \$100,000 of damages as a result of pre-existing environmental conditions or violations. Our environmental indemnity obligations are further limited to an aggregate indemnification amount of \$20.0 million, including any amounts paid by us to HEP with respect to indemnification for breaches of our representations and warranties under a Contribution Agreement entered into as a part of the HEP transaction.

With respect to remediation required for environmental conditions existing prior to the date of sale, we are performing such remediation ourselves at the Wichita Falls terminal in lieu of indemnifying HEP for their costs of performing such remediation.

Environmental Indemnity to Sunoco. In connection with the sale of the Amdel and White Oil crude oil pipelines, we entered into a Purchase and Sale Agreement with Sunoco pursuant to which we agreed to indemnify Sunoco against costs and liabilities incurred by Sunoco resulting from the existence of environmental conditions at the pipelines prior to March 1, 2006 or from violations of environmental laws with respect to the pipelines occurring prior to such date. To date, Sunoco has not made any claims against us under the Purchase and Sale Agreement.

Other Government Regulation

The pipelines owned or operated by us and located in Texas are regulated by Department of Transportation rules and our intrastate pipelines are regulated by the Texas Railroad Commission. Within the Texas Railroad Commission, the Pipeline Safety Section of the Gas Services Division administers and enforces the federal and state requirements on our intrastate pipelines. All of our pipelines within Texas are permitted and certified by the Texas Railroad Commission's Gas Services Division. The California State Fire Marshall's Office enforces federal pipeline regulations for pipelines in the State of California.

The Petroleum Marketing Practices Act, or PMPA, is a federal law that governs the relationship between a refiner and a distributor pursuant to which the refiner permits a distributor to use a trademark in connection with the sale or distribution of motor fuel. Under the PMPA, we may not terminate or fail to renew branded distributor contracts unless certain enumerated preconditions or grounds for termination or nonrenewal are met and we also comply with the prescribed notice requirements.

Employees

As of December 31, 2012, we had approximately 2,824 employees. Approximately 754 employees worked in our refining and marketing segment, of which 629 were employed at our refineries and approximately 125 were employed at our corporate offices in Dallas, Texas. Approximately 94 employees worked in our asphalt segment and approximately 1,976 employees worked in our retail segment.

Approximately 120 of the 190 employees at our Big Spring refinery are covered by a collective bargaining agreement that expires on April 1, 2015. None of the employees in our asphalt segment, retail segment or in our corporate offices are represented by a union. We consider our relations with our employees to be satisfactory.

Properties

Our principal properties are described above under the captions "Refining and Marketing," "Asphalt" and "Retail" in Item 1. We believe that our facilities are generally adequate for our operations and are maintained in a good state of repair in the ordinary course of business. As of December 31, 2012, we were the lessee under a number of cancelable and non-cancelable leases for certain properties. Our leases are discussed more fully in Note 20 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Executive Officers of the Registrant

Our current executive officers and key employees (identified by an asterisk), their ages as of March 1, 2013, and their business experience during at least the past five years are set forth below.

Name	Age	Position
David Wiessman	58	Executive Chairman of the Board of Directors
Jeff D. Morris	61	Vice Chairman of the Board of Directors
Paul Eisman	57	Chief Executive Officer and President
Shai Even	44	Senior Vice President and Chief Financial Officer
Claire A. Hart	57	Senior Vice President
Alan Moret	58	Senior Vice President of Supply
Michael Oster	41	Senior Vice President of Mergers and Acquisitions
Jimmy C. Crosby*	53	Vice President of Refining — Big Spring
Gregg Byers*	58	Vice President of Refining — Krotz Springs
Rick Bird*	59	Vice President of Asphalt Operations — Paramount
Kyle McKeen*	49	President and Chief Executive Officer of Alon Brands
Josef Lipman*	67	President and Chief Executive Officer of SCS

Set forth below is a brief description of the business experience of each of the executive officers and key employees listed above.

David Wiessman has served as Executive Chairman of the Board of Directors of Alon since July 2000 and served as President and Chief Executive Officer of Alon from its formation in 2000 until May 2005. Mr. Wiessman has over 35 years of oil industry and marketing experience. Since 1994, Mr. Wiessman has been Chief Executive Officer, President and a director of Alon Israel Oil Company, Ltd., or Alon Israel, Alon's parent company. In 1992, Bielsol Investments (1987) Ltd. acquired a 50% interest in Alon Israel. In 1987, Mr. Wiessman became Chief Executive Officer of, and a stockholder in, Bielsol Investments (1987) Ltd. In 1976, after serving in the Israeli Air Force, he became Chief Executive Officer of Bielsol Ltd., a privately-owned Israeli company that owns and operates gasoline stations and owns real estate in Israel. Mr. Wiessman is also Executive Chairman of the Board of Directors of Alon Holdings Blue Square-Israel, Ltd., which is listed on the New York Stock Exchange, or NYSE, and the Tel Aviv Stock Exchange, or TASE; Executive Chairman of Blue Square Real Estate Ltd., which is listed on the TASE; and Executive Chairman of the Board and President of Dor-Alon Energy in Israel (1988) Ltd., which is listed on the TASE, and all of which are subsidiaries of Alon Israel.

Jeff D. Morris has served as Vice Chairman of the Board of Directors of Alon since May 2011 and a director since May 2005. Prior to this Mr. Morris served as our Chief Executive Officer from May 2005 to May 2011, our Chief Executive Officer of our operating subsidiaries from July 2000 to May 2011, our President from May 2005 until March 2010 and our President of our operating subsidiaries from July 2000 until March 2010. Prior to joining Alon, he held various positions at FINA, Inc., where he began his career in 1974. Mr. Morris served as Vice President of FINA's SouthEastern Business Unit from 1998 to 2000 and as Vice President of its SouthWestern Business Unit from 1995 to 1998. In these capacities, he was responsible for both the Big Spring refinery and FINA's Port Arthur refinery and the crude oil gathering assets and marketing activities for both business units. Mr. Morris has also been a director of our subsidiary Alon Refining Krotz Springs, Inc. since 2008.

Paul Eisman was appointed to serve as our Chief Executive Officer in May 2011 and our President in March 2010. Prior to joining Alon, Mr. Eisman was Executive Vice President, Refining & Marketing Operations at Frontier Oil Corporation from 2006 to 2009 and held various positions at KBC Advanced Technologies from 2003 to 2006, including Vice President of North American Operations. During 2002, Mr. Eisman was Senior Vice President of Planning for Valero Energy Corporation following Valero's acquisition of Ultramar Diamond Shamrock. Prior to the acquisition, Mr. Eisman had a 24-year career with Ultramar Diamond Shamrock, serving in many technical and operational roles including Executive Vice President of Corporate Development and Senior Vice President of Refining.

Shai Even has served as a Senior Vice President since August 2008 and as our Chief Financial Officer since December 2004. Mr. Even served as a Vice President from May 2005 to August 2008 and Treasurer from August 2003 until March 2007. Shai Even is the brother of Shlomo Even, one of our directors.

Claire A. Hart has served as our Senior Vice President since January 2004 and served as our Chief Financial Officer and Vice President from August 2000 to January 2004. Prior to joining Alon, he held various positions in the Finance, Accounting and Operations departments of FINA for 13 years, serving as Treasurer from 1998 to August 2000 and as General Manager of Credit Operations from 1997 to 1998.

Alan Moret has served as our Senior Vice President of Supply since August 2008. Mr. Moret served as our Senior Vice President of Asphalt Operations from August 2006 to August 2008, with responsibility for asphalt operations and marketing at our refineries and asphalt terminals. Prior to joining Alon, Mr. Moret was President of Paramount Petroleum Corporation from November 2001 to August 2006. Prior to joining Paramount Petroleum Corporation, Mr. Moret held various positions with Atlantic Richfield Company, most recently as President of ARCO Crude Trading, Inc. from 1998 to 2000 and as President of ARCO Seaway Pipeline Company from 1997 to 1998.

Michael Oster has served as our Senior Vice President of Mergers and Acquisitions of Alon Energy since August 2008 and General Manager of Commercial Transactions of Alon Energy from January 2003 to August 2008. Prior to joining Alon Energy, Mr. Oster was a partner in the Israeli law firm, Yehuda Raveh and Co.

Jimmy C. Crosby has served as our Vice President of Refining — Big Spring since January 2010, with responsibility for operation at the Big Spring Refinery. Prior to this Mr. Crosby served as Vice President of Refining — California Refineries from March 2009 until January 2010, as Vice President of Refining and Supply from May 2007 to March 2009, as Vice President of Supply and Planning from May 2005 to May 2007 and as General Manager of Business Development and Planning from August 2000 to May 2005. Prior to joining Alon, Mr. Crosby worked with FINA from 1996 to August 2000 where he last held the position of Manager of Planning and Economics for the Big Spring refinery.

Gregg Byers has served as our Vice President of Refining — Krotz Springs since February 2012, with responsibility for operations at the Krotz Springs refinery. Mr. Byers rejoined Alon in September 2011 as Senior Director of Engineering Services. Mr. Byers has been employed in the refining industry for over 35 years, most recently with Sinclair Oil Corporation as Operations Manager of Sinclair's Wyoming refinery from 2008 to 2011. Prior to this, Mr. Byers served as Engineering & Project Development Director at the Krotz Springs refinery under the Company's ownership in 2008 and Valero Energy Corporation's ownership from 2001 to 2008.

Richard Bird has served as Vice President, Paramount Asphalt since March 2012, with responsibility over asphalt marketing and operations. Prior to this Mr. Bird served at the California refineries as Vice President, Asphalt Marketing from August 2008 to March 2012, Vice President of Supply & Transportation in the asphalt division from March 2008 to August 2008 and Vice President, Operations in the asphalt division from July 2006 to March 2008. Prior to joining Alon, Mr. Bird held various positions of increasing responsibilities at Paramount Petroleum Corporation from August 2000 to Alon acquisition of Paramount Petroleum Corporation in July 2006. Mr. Bird has over 23 years of experience in the asphalt industry working for Alon, Paramount Petroleum Corporation, Conoco, Petro Source Corp. and Interwest Group.

Kyle McKeen has served as President and Chief Executive Officer of Alon Brands, Inc., our subsidiary that manages our retail operations, since May 2008. From 2005 to 2008, Mr. McKeen served as President and Chief Operating Officer of Carter Energy, an independent energy marketer supporting over 600 retailers by providing fuel supply, merchandising and marketing support, and consulting services. Prior to joining Carter Energy in 2005, Mr. McKeen was a member of the Board of Managers of Alon USA Interests, LLC from September 2002 to 2005 and held numerous positions of increasing responsibilities with Alon Energy, including Vice President of Marketing.

Josef Lipman has served as President and Chief Executive Officer of Southwest Convenience Stores, LLC, or SCS, our subsidiary conducting our retail operations since July 2001. From 1997 to July 2001, Mr. Lipman served as General Manager of Cosmos, a chain of supermarkets in Israel owned by Super-Sol Ltd., where he was responsible for marketing and store operations.

ITEM 1A. RISK FACTORS.

The occurrence of any of the events described in this Risk Factors section and elsewhere in this Annual Report on Form 10-K or in any other of our filings with the SEC could have a material adverse effect on our business, financial position, results of operations and cash flows. In evaluating an investment in any of our securities, you should consider carefully, among other things, the factors and the specific risks set forth below. This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. See “Forward-Looking Statements” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 for a discussion of the factors that could cause actual results to differ materially from those projected.

The price volatility of crude oil, other feedstocks, refined products and fuel and utility services may have a material adverse effect on our earnings, profitability and cash flows.

Our refining and marketing earnings, profitability and cash flows from operations depend primarily on the margin between refined product prices and the prices for crude oil and other feedstocks. When the margin between refined product prices and crude oil and other feedstock prices contracts or inverts, as has been the case in recent periods and may continue to be the case in the future, our results of operations and cash flows are negatively affected. Refining margins historically have been volatile, and are likely to continue to be volatile as a result of a variety of factors including fluctuations in the prices of crude oil, other feedstocks, refined products and fuel and utility services. The direction and timing of changes in prices for crude oil and refined products do not necessarily correlate with one another and it is the relationship between such prices, rather than the nominal amounts of such prices, that has the greatest impact on our results of operations and cash flows.

Prices of crude oil, other feedstocks and refined products, and the relationships between such prices and prices for refined products, depend on numerous factors beyond our control, including the supply of and demand for crude oil, other feedstocks, gasoline, diesel, asphalt and other refined products and the relative magnitude and timing of such changes. Such supply and demand are affected by, among other things:

- changes in general economic conditions;
- changes in the underlying demand for our products;
- the availability, costs and price volatility of crude oil, other refinery feedstocks and refined products;
- worldwide political conditions, particularly in significant oil producing regions such as the Middle East, West Africa and Latin America;
- the level of foreign and domestic production of crude oil and refined products and the volume of crude oil, feedstock and refined products imported into and exported from the United States;
- refinery utilization rates;
- development and marketing of alternative and competing fuels;
- commodities speculation;
- infrastructure limitations;
- accidents, interruptions in transportation, inclement weather or other events that can cause unscheduled shutdowns or otherwise adversely affect refineries;
- federal and state government regulations; and
- local factors, including market conditions, weather conditions and the level of operations of other refineries and pipelines in our markets.

Although we continually analyze refinery operating margins at each of our refineries and seek to adjust throughput volumes and product slates to optimize our operating results based on market conditions, there are inherent limitations on our ability to offset the effects of adverse market conditions. For example, reductions in throughput volumes in a negative operating margin environment may reduce operating losses, but it would not eliminate them because we would still be incurring fixed costs and other variable costs.

The nature of our business has historically required us to maintain substantial quantities of crude oil and refined product inventories. Because crude oil and refined products are essentially commodities, we have no control over the changing market value of these inventories. Our inventory is valued at the lower of cost or market value under the last-in, first-out (“LIFO”) inventory valuation methodology. As a result, if the market value of our inventory were to decline to an amount less than our LIFO cost, we would record a write-down of inventory and a non-cash charge to cost of sales. Our investment in inventory is affected by the general level of crude oil prices, and significant increases in crude oil prices could result in substantial working capital requirements to maintain inventory volumes.

In addition, the volatility in costs of natural gas, electricity and other utility services used by our refineries and other operations affect our operating costs. Utility prices have been, and will continue to be, affected by factors outside our control, such as supply and demand for utility services in both local and regional markets. Future increases in utility prices may have a negative effect on our earnings, profitability and cash flows.

Our profitability depends, in part, on the differential between the cost of crude oils processed by our refineries and those processed by our competitors. Changes in this differential could negatively affect our profitability.

We select grades of crude oil to process based, in part, on each individual refinery's configuration and operating units. Our profitability is partially derived from our ability to purchase and process crude oil feedstocks that are less expensive than those processed by competing refiners. We quantify this differential in crude prices by comparing our crude acquisition price with benchmark crude oil grades such as West Texas Intermediate. Crude oil differentials can vary significantly depending on overall economic conditions, trends and conditions within the markets for crude oil and refined products, and infrastructure constraints. A decline in these differentials affecting one or more of our refineries could have a negative impact on our earnings.

Our indebtedness could adversely affect our financial condition or make us more vulnerable to adverse economic conditions.

Our level of indebtedness could have significant effects on our business, financial condition and results of operations and cash flows and, consequently, important consequences to your investment in our securities, such as:

- we may be limited in our ability to obtain additional financing to fund our working capital needs, capital expenditures and debt service requirements or our other operational needs;
- we may be limited in our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to make principal and interest payments on our debt;
- we may be at a competitive disadvantage compared to competitors with less leverage since we may be less capable of responding to adverse economic and industry conditions; and
- we may not have sufficient flexibility to react to adverse changes in the economy, our business or the industries in which we operate.

Our ability to service our indebtedness will depend on our ability to generate cash in the future.

Our ability to make payments on our indebtedness will depend on our ability to generate cash in the future. Our ability to generate cash is subject to general economic and market conditions and financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash to fund our working capital, capital expenditure, debt service and other liquidity needs, which could result in our inability to comply with financial and other covenants contained in our debt agreements, our being unable to repay or pay interest on our indebtedness, and our inability to fund our other liquidity needs. If we are unable to service our debt obligations, fund our other liquidity needs and maintain compliance with our financial and other covenants, we could be forced to curtail our operations, our creditors could accelerate our indebtedness and exercise other remedies and we could be required to pursue one or more alternative strategies, such as selling assets or refinancing or restructuring our indebtedness. However, we cannot assure you that any such alternatives would be feasible or prove adequate.

The dangers inherent in our operations could cause disruptions and could expose us to potentially significant losses, costs or liabilities.

Our operations are subject to significant hazards and risks inherent in refining operations and in transporting and storing crude oil, intermediate products and refined products. These hazards and risks include, but are not limited to, natural disasters, fires, explosions, pipeline ruptures and spills, waterborne transportation accidents, third party interference and mechanical failure of equipment at our or third-party facilities, any of which could result in production and distribution difficulties and disruptions, environmental pollution, personal injury or wrongful death claims and other damage to our properties and the properties of others. The occurrence of such events at any of our refineries could significantly disrupt our production and distribution of refined products, and any sustained disruption could have a material adverse effect on our business, financial condition and results of operations.

We are subject to interruptions of supply as a result of our reliance on pipelines for transportation of crude oil and refined products.

Our refineries receive a substantial percentage of their crude oil and deliver a substantial percentage of their refined products through pipelines. We could experience an interruption of supply or delivery, or an increased cost of receiving crude oil and delivering refined products to market, if the ability of these pipelines to transport crude oil or refined products is disrupted because of accidents, earthquakes, hurricanes, governmental regulation, terrorism, other third party action or any of the types of events described in the preceding risk factor. Our prolonged inability to use any of the pipelines that we use to

transport crude oil or refined products could have a material adverse effect on our business, results of operations and cash flows.

If the price of crude oil increases significantly, it could reduce our margin on our fixed-price asphalt supply contracts.

We enter into fixed-price asphalt supply contracts pursuant to which we agree to deliver asphalt to customers at future dates. We set the pricing terms in these agreements based, in part, upon the price of crude oil at the time we enter into each contract. If the price of crude oil increases from the time we enter into the contract to the time we produce the asphalt, our margins from these sales could be adversely affected.

Our operating results are seasonal and generally lower in the first and fourth quarters of the year.

Demand for gasoline and asphalt products is generally higher during the summer months than during the winter months due to seasonal increases in highway traffic and road construction work. Seasonal fluctuations in highway traffic also affect motor fuels and merchandise sales in our retail stores. As a result, our operating results for the first and fourth calendar quarters are generally lower than those for the second and third calendar quarters of each year. This seasonality is most pronounced in our asphalt business.

If the price of crude oil increases significantly, it could limit our ability to purchase enough crude oil to operate our refineries at full capacity.

We rely in part on borrowings and letters of credit under our revolving credit facilities to purchase crude oil for our refineries. If the price of crude oil increases significantly, we may not have sufficient capacity under our revolving credit facilities to purchase enough crude oil to operate our refineries at full capacity. A failure to operate our refineries at full capacity could adversely affect our profitability and cash flows.

Changes in our credit profile could affect our relationships with our suppliers, which could have a material adverse effect on our liquidity and our ability to operate our refineries at full capacity.

Changes in our credit profile could affect the way crude oil suppliers view our ability to make payments and induce them to shorten the payment terms for our purchases or require us to post security prior to payment. Due to the large dollar amounts and volume of our crude oil and other feedstock purchases, any imposition by our suppliers of more burdensome payment terms on us may have a material adverse effect on our liquidity and our ability to make payments to our suppliers. This, in turn, could cause us to be unable to operate our refinery at full capacity. A failure to operate our refinery at full capacity could adversely affect our profitability and cash flows. Alternatively, these more burdensome payment terms may require us to incur additional indebtedness under our revolving credit facility, which could increase our interest expense and adversely affect our cash flows.

Our arrangement with J. Aron exposes us to J. Aron related credit and performance risk.

We have supply and offtake agreements with J. Aron, who is our largest supplier of crude oil and largest customer of refined products. In the future, we could purchase up to 100% of our supply needs from J. Aron pursuant to this agreement. Additionally, we are obligated to repurchase all consigned inventories and certain other inventories upon termination of this agreement, which may be terminated by J. Aron as early as May 31, 2016. Relying on J. Aron's ability to honor its fuel requirements purchase obligations exposes us to J. Aron's credit and business risks. An adverse change in J. Aron's business, results of operations, liquidity or financial condition could adversely affect its ability to perform its obligations, which could consequently have a material adverse effect on our business, results of operations or liquidity. In addition, we may be required to use substantial capital to repurchase inventories from J. Aron upon termination of the agreements, which could have a material adverse effect on our financial condition.

Competition in the refining and marketing industry is intense, and an increase in competition in the markets in which we sell our products could adversely affect our earnings and profitability.

We compete with a broad range of companies in our refining and marketing operations. Many of these competitors are integrated, multinational oil companies that are substantially larger than we are. Because of their diversity, integration of operations, larger capitalization, larger and more complex refineries and greater resources, these companies may be better able to withstand disruptions in operations and volatile market conditions, to offer more competitive pricing and to obtain crude oil in times of shortage.

We are not engaged in the exploration and production business and therefore do not produce any of our crude oil feedstocks. Certain of our competitors, however, obtain a portion of their feedstocks from company-owned production. Competitors that have their own crude production are at times able to offset losses from refining operations with profits from

producing operations, and may be better positioned to withstand periods of depressed refining margins or feedstock shortages. In addition, we compete with other industries, such as wind, solar and hydropower, that provide alternative means to satisfy the energy and fuel requirements of our industrial, commercial and individual customers. If we are unable to compete effectively with these competitors, both within and outside our industry, there could be a material adverse effect on our business, financial condition, results of operations and cash flows.

Competition in the asphalt industry is intense, and an increase in competition in the markets in which we sell our asphalt products could adversely affect our earnings and profitability.

Our asphalt business competes with other refiners and with regional and national asphalt marketing companies. Many of these competitors are larger, more diverse companies with greater resources, providing them advantages in obtaining crude oil and other blendstocks and in competing through bidding processes for asphalt supply contracts.

We compete in large part on our ability to deliver specialized asphalt products which we produce under proprietary technology licenses. Recently, demand for these specialized products has increased due to new specification requirements by state and federal governments. If we were to lose our rights under our technology licenses, or if competing technologies for specialized products are developed by our competitors, our profitability could be adversely affected.

Competition in the retail industry is intense, and an increase in competition in the markets in which our retail businesses operate could adversely affect our earnings and profitability.

Our retail operations compete with numerous convenience stores, gasoline service stations, supermarket chains, drug stores, fast food operations and other retail outlets. Increasingly, national high-volume grocery and dry-goods retailers, such as Albertson's and Wal-Mart are entering the gasoline retailing business. Many of these competitors are substantially larger than we are. Because of their diversity, integration of operations and greater resources, these companies may be better able to withstand volatile market conditions or levels of low or no profitability. In addition, these retailers may use promotional pricing or discounts, both at the pump and in the store, to encourage in-store merchandise sales. These activities by our competitors could adversely affect our profit margins. Additionally, our convenience stores could lose market share, relating to both gasoline and merchandise, to these and other retailers, which could adversely affect our business, results of operations and cash flows. Our convenience stores compete in large part based on their ability to offer convenience to customers. Consequently, changes in traffic patterns and the type, number and location of competing stores could result in the loss of customers and reduced sales and profitability at affected stores.

We may incur significant costs to comply with new or changing environmental laws and regulations.

Our operations are subject to extensive regulatory controls on air emissions, water discharges, waste management and the clean-up of contamination that can require costly compliance measures. If we fail to meet environmental requirements, we may be subject to administrative, civil and criminal proceedings by state and federal authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as governmental or court orders that could alter, limit or stop our operations.

In October 2006, we were contacted by Region 6 of the U.S. Environmental Protection Agency ("EPA") and invited to enter into discussions under the EPA's National Petroleum Refinery Initiative (the "Initiative"). This Initiative is a coordinated, integrated compliance and enforcement strategy to address federal Clean Air Act compliance issues at the nation's largest petroleum refineries, including compliance with New Source Review/Prevention of Significant Deterioration requirements, New Source Performance Standards, Leak Detection and Repair requirements, and National Emission Standards for Hazardous Air Pollutants for Benzene Waste Operations. Since March 2000, at least 31 refining companies (representing over 90% of the U.S. refining capacity) have entered into "global settlements" under the Initiative. In February 2007, we committed in writing to enter into discussions with the EPA regarding our Big Spring refinery and, since that time, have held negotiations with the agency with respect to entering into a global settlement under the Initiative. Based on our on-going negotiations as well as consideration of prior settlements that the EPA has reached with other petroleum refineries under the Initiative, we believe that the EPA will seek relief under any global settlement in the form of the payment of a civil penalty, the installation of air pollution controls, enhanced operations and maintenance programs, and the implementation of environmentally beneficial projects in consideration for a broad release from liability for violations that may have occurred historically at the Big Spring refinery. At this time, while we cannot estimate the cost of any such civil penalties, pollution controls or environmentally beneficial projects, these costs could be significant and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our Big Spring refinery is one of more than 100 facilities in Texas to receive a Clean Air Act request for information from the EPA relating to the EPA's disapproval of Texas' "flexible permit program." According to the EPA, the Texas flexible permit program and its implementing rule was never approved by the EPA for inclusion in the Texas state clean-air

implementation plan and, therefore, emission limitations in Texas flexible permits are not federally enforceable. The EPA indicated that it would consider enforcement against holders of flexible permits that failed to comply with applicable federal requirements on a case-by-case basis. We have agreed to convert the refinery's non-flexible permit to a federally enforceable non-flexible permit and currently are in the process of such conversion. It is unclear whether we will have any obligation to install new air pollution controls or be assessed civil penalties. On August 13, 2012, the U.S. Fifth Circuit Court of Appeals vacated the EPA's final rule disapproving Texas' flexible permit program and remanded the program back to the EPA for further consideration. We are presently assessing our Big Spring refinery's air emissions permitting alternatives as a result of this ruling.

In addition, new laws and regulations, new interpretations of existing laws and regulations, increased governmental enforcement or other developments could require us to make additional unforeseen expenditures. Many of these laws and regulations are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time. For example, on June 1, 2012, the EPA issued final amendments to the New Source Performance Standards ("NSPS") for petroleum refineries, including standards for emissions of nitrogen oxides from process heaters and work practice standards and monitoring requirements for flares. EPA has finalized this rule and published it in the Federal Register on September 12, 2012. We are currently evaluating the effect that the NSPS rule may have on our refinery operations. As another example, the EPA proposed new "Tier 3" motor vehicle emission and fuel standards in 2012 which may result in further restrictions on the permissible levels of sulfur in gasoline. We are not able to predict the impact of new or changed laws or regulations or changes in the ways that such laws or regulations are administered, interpreted or enforced but we may incur increased operating costs and capital expenditures to comply, which could be material. To the extent that the costs associated with meeting any of these requirements are substantial and not adequately provided for, our results of operations and cash flows could suffer.

Climate change legislation or regulations restricting emissions of greenhouse gases could result in increased operating costs and a reduced demand for our refining services.

In December 2009 the EPA determined that emissions of carbon dioxide, methane and other greenhouse gases ("GHGs") present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere and other climatic changes. Based on its findings, the EPA has begun adopting and implementing regulations to restrict emissions of GHGs under existing provisions of the federal Clean Air Act including one rule that requires a reduction in emissions of GHGs from motor vehicles and another rule that requires certain construction and operating permit reviews for GHG emissions from certain large stationary sources. The stationary source final rule addresses the permitting of GHG emissions from stationary sources under the Clean Air Act Prevention of Significant Deterioration ("PSD") construction and Title V operating permit programs, pursuant to which these permit programs have been "tailored" to apply to certain stationary sources of GHG emissions in a multi-step process, with the largest sources subject to permitting first and smaller sources subject to permitting later. Facilities required to obtain PSD permits for their GHG emissions will be required to reduce those emissions according to "best available control technology" standards for GHGs. The EPA's rule relating to emissions of GHGs from large stationary sources of emissions has been subject to a number of legal challenges, with the federal D.C. Circuit Court of Appeals dismissing the challenges to EPA's tailoring rule on June 26, 2012. The EPA has also adopted rules requiring the monitoring and reporting of GHG emissions from specified large GHG emission sources in the United States, including petroleum refineries, on an annual basis, for emissions occurring after January 1, 2010.

In addition, the federal Congress has from time to time considered adopting legislation to reduce emissions of GHGs, and almost one-half of the states have already taken legal measures to reduce emissions of GHGs primarily through the planned development of GHG emission inventories and/or regional GHG cap and trade programs. The adoption of legislation or regulatory programs to reduce emissions of GHGs could require us to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or monitoring and reporting requirements. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the oil and natural gas produced by our customers, which could reduce demand for our refining services. One or more of these developments could have an adverse effect on our business, financial condition and results of operations.

Finally, it should be noted that some scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events; if any such effects were to occur, they could have an adverse effect on our financial condition and results of operations.

We may incur significant costs and liabilities with respect to environmental lawsuits and proceedings and any investigation and remediation of existing and future environmental conditions.

We are currently investigating and remediating, in some cases pursuant to government orders, soil and groundwater contamination at our refineries, terminals and convenience stores. We anticipate spending approximately \$6.3 million in investigation and remediation expenses in connection with our Big Spring refinery and terminals over the next 15 years. We anticipate spending an additional \$37.3 million in investigation and remediation expenses in connection with our California refineries and terminals over the next 15 years. There can be no assurances, however, that we will not have to spend more than these anticipated amounts. Our handling and storage of petroleum and hazardous substances may lead to additional contamination at our facilities and facilities to which we send or sent wastes or by-products for treatment or disposal, in which case we may be subject to additional cleanup costs, governmental penalties, and third-party suits alleging personal injury and property damage. Although we have sold three of our pipelines and three of our terminals to HEP and two of our pipelines pursuant to a transaction with an affiliate of Sunoco, Inc. (“Sunoco”), we have agreed, subject to certain limitations, to indemnify HEP and Sunoco for costs and liabilities that may be incurred by them as a result of environmental conditions existing at the time of the sale. See Items 1 and 2 “Business and Properties—Government Regulation and Legislation—Environmental Indemnity to HEP” and “Business and Properties—Government Regulation and Legislation—Environmental Indemnity to Sunoco.” If we are forced to incur costs or pay liabilities in connection with such proceedings and investigations, such costs and payments could be significant and could adversely affect our business, results of operations and cash flows.

In connection with our acquisition of the Krotz Springs refinery from Valero, we became party to an agreement that allocated the parties' respective obligations under the Valero global settlement Consent Decree. The parties are in discussions regarding the appropriate levels of NOx emissions for the refinery's catalytic cracking unit, which is part of a Valero system-wide NOx emissions limit in the Consent Decree. Depending on the outcome of these discussions, it may be necessary for us to install additional controls or take other steps to reduce emissions of NOx from the catalytic cracking unit.

We could incur substantial costs or disruptions in our business if we cannot obtain or maintain necessary permits and authorizations or otherwise comply with health, safety, environmental and other laws and regulations.

From time to time, we have been sued or investigated for alleged violations of health, safety, environmental and other laws. If a lawsuit or enforcement proceeding were commenced or resolved against us, we could incur significant costs and liabilities. In addition, our operations require numerous permits and authorizations under various laws and regulations. These authorizations and permits are subject to revocation, renewal or modification and can require operational changes to limit impacts or potential impacts on the environment and/or health and safety. A violation of authorization or permit conditions or other legal or regulatory requirements could result in substantial fines, criminal sanctions, permit revocations, injunctions, and/or facility shutdowns. In addition, major modifications of our operations could require modifications to our existing permits or upgrades to our existing pollution control equipment. Any or all of these matters could have a negative effect on our business, results of operations, cash flows or prospects.

We could encounter significant opposition to operations at our California refineries.

Our Paramount refinery is located in a residential area. The refinery is located near schools, apartment complexes, private homes and shopping establishments. In addition, our Long Beach refinery is located in close proximity to other commercial facilities, and our Bakersfield refinery is adjacent to newly developed commercial and retail property. Any loss of community support for our California refining operations could result in higher than expected expenses in connection with opposing any community action to restrict or terminate the operation of the refinery. Any community action in opposition to our current and planned use of the California refineries could have a material adverse effect on our business, results of operations and cash flows.

The occurrence of a release of hazardous materials or a catastrophic event affecting our California refineries could endanger persons living nearby.

Because our California refineries are located in residential areas, any release of hazardous material or catastrophic event could cause injuries to persons outside the confines of these refineries. In the event that persons were injured as a result of such an event, we would likely incur substantial legal costs as well as any costs resulting from settlements or adjudication of claims from such injured persons. The extent of these expenses and costs could be in excess of the limits provided by our insurance policies. As a result, any such event could have a material adverse effect on our business, results of operations and cash flows.

Certain of our facilities are located in areas that have a history of earthquakes or hurricanes, the occurrence of which could materially impact our operations.

Our refineries located in California and the related pipeline and asphalt terminals, and to a lesser extent our refinery and operations in Oregon, are located in areas with a history of earthquakes, some of which have been quite severe. Our Krotz

Springs refinery is located less than 100 miles from the Gulf Coast. In the event of an earthquake or hurricane or other weather-related event that causes damage to our refining, pipeline or asphalt terminal assets, or the infrastructure necessary for the operation of these assets, such as the availability of usable roads, electricity, water, or natural gas, we may experience a significant interruption in our refining and/or marketing operations. Such an interruption could have a material adverse effect on our business, results of operations and cash flows.

Terrorist attacks, threats of war or actual war may negatively affect our operations, financial condition, results of operations and prospects.

Terrorist attacks, threats of war or actual war, as well as events occurring in response to or in connection with them, may adversely affect our operations, financial condition, results of operations and prospects. Energy-related assets (which could include refineries, terminals and pipelines such as ours) may be at greater risk of terrorist attacks than other possible targets in the United States. A direct attack on our assets or assets used by us could have a material adverse effect on our operations, financial condition, results of operations and prospects. In addition, any terrorist attack, threats of war or actual war could have an adverse impact on energy prices, including prices for our crude oil and refined products, and an adverse impact on the margins from our refining and marketing operations. In addition, disruption or significant increases in energy prices could result in government-imposed price controls.

Covenants in our credit agreements could limit our ability to undertake certain types of transactions and adversely affect our liquidity.

Our credit agreements contain negative and financial covenants and events of default that may limit our financial flexibility and ability to undertake certain types of transactions. For example, we are subject to negative covenants that restrict our activities, including changes in control of Alon or certain of our subsidiaries, restrictions on creating liens, engaging in mergers, consolidations and sales of assets, incurring additional indebtedness, entering into certain lease obligations, making certain capital expenditures, and making certain dividend, debt and other restricted payments. Should we desire to undertake a transaction that is prohibited or limited by our credit agreements, we will need to obtain the consent of our lenders or refinance our credit facilities. Such consents or refinancings may not be possible or may not be available on commercially acceptable terms, or at all.

Our insurance policies do not cover all losses, costs or liabilities that we may experience.

We maintain significant insurance coverage, but it does not cover all potential losses, costs or liabilities, and our business interruption insurance coverage does not apply unless a business interruption exceeds a period of 45 to 75 days, depending upon the specific policy. We could suffer losses for uninsurable or uninsured risks or in amounts in excess of our existing insurance coverage. Our ability to obtain and maintain adequate insurance may be affected by conditions in the insurance market over which we have no control. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks associated with the credit-worthiness of the insurer of our environmental policies.

The insurer under two of our environmental policies is The Kemper Insurance Companies, which has experienced significant downgrades of its credit ratings in recent years and is currently in run-off. These two policies are 20-year policies that were purchased to protect us against expenditures not covered by our indemnification agreement with FINA. Our insurance brokers have advised us that environmental insurance policies with terms in excess of ten years are not currently available and that policies with shorter terms are available only at premiums equal to or in excess of the premiums paid for our policies with Kemper. Accordingly, we are currently subject to the risk that Kemper will be unable to comply with its obligations under these policies and that comparable insurance may not be available or, if available, at premiums equal to or in excess of our current premiums with Kemper. However, we have no reason at this time to believe that Kemper will not be able to comply with its obligations under these policies.

If we lose any of our key personnel, our ability to manage our business and continue our growth could be negatively affected.

Our future performance depends to a significant degree upon the continued contributions of our senior management team and key technical personnel. We do not currently maintain key man life insurance with respect to any member of our senior management team. The loss or unavailability to us of any member of our senior management team or a key technical employee could significantly harm us. We face competition for these professionals from our competitors, our customers and other companies operating in our industry. To the extent that the services of members of our senior management team and key technical personnel would be unavailable to us for any reason, we would be required to hire other personnel to manage and

operate our company and to develop our products and technology. We cannot assure you that we would be able to locate or employ such qualified personnel on acceptable terms or at all.

A substantial portion of our Big Spring refinery's workforce is unionized, and we may face labor disruptions that would interfere with our operations.

As of December 31, 2012, we employed approximately 190 people at our Big Spring refinery, approximately 120 of whom were covered by a collective bargaining agreement. The collective bargaining agreement expires on April 1, 2015. Our current labor agreement may not prevent a strike or work stoppage in the future, and any such work stoppage could have a material adverse effect on our results of operation and financial condition.

We conduct our convenience store business under a license agreement with 7-Eleven, and the loss of this license could adversely affect the results of operations of our retail segment.

Our convenience store operations are primarily conducted under the 7-Eleven name pursuant to a license agreement between 7-Eleven, Inc. and Alon. 7-Eleven may terminate the agreement if we default on our obligations under the agreement. This termination would result in our convenience stores losing the use of the 7-Eleven brand name, the accompanying 7-Eleven advertising and certain other brand names and products used exclusively by 7-Eleven. Termination of the license agreement could have a material adverse effect on our retail operations.

We may not be able to successfully execute our strategy of growth through acquisitions.

A component of our growth strategy is to selectively acquire refining and marketing assets and retail assets in order to increase cash flow and earnings. Our ability to do so will be dependent upon a number of factors, including our ability to identify acceptable acquisition candidates, consummate acquisitions on favorable terms, successfully integrate acquired assets and obtain financing to fund acquisitions and to support our growth and many other factors beyond our control. Risks associated with acquisitions include those relating to:

- diversion of management time and attention from our existing business;
- challenges in managing the increased scope, geographic diversity and complexity of operations;
- difficulties in integrating the financial, technological and management standards, processes, procedures and controls of an acquired business with those of our existing operations;
- our ability to understand and capitalize on supply/demand balances in the markets of such acquired assets;
- liability for known or unknown environmental conditions or other contingent liabilities not covered by indemnification or insurance;
- greater than anticipated expenditures required for compliance with environmental or other regulatory standards or for investments to improve operating results;
- difficulties in achieving anticipated operational improvements;
- incurrence of additional indebtedness to finance acquisitions or capital expenditures relating to acquired assets; and
- issuance of additional equity, which could result in further dilution of the ownership interest of existing stockholders.

We may not be successful in acquiring additional assets, and any acquisitions that we do consummate may not produce the anticipated benefits or may have adverse effects on our business and operating results.

We depend upon our subsidiaries for cash to meet our obligations and pay any dividends, and we do not own 100% of the stock of our operating subsidiaries.

We are a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Consequently, our cash flow and our ability to meet our obligations or pay dividends to our stockholders depend upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of dividends, tax sharing payments or otherwise. Our subsidiaries' ability to make any payments will depend on their earnings, cash flows, the terms of their indebtedness, tax considerations and legal restrictions. Three of our current and former executive officers, Messrs. Morris, Hart and Concienne, are parties to stockholders' agreements with Alon Assets, Alon Operating and us, pursuant to which we may elect or be required to purchase their shares in connection with put/call rights or rights of first refusal contained in those agreements. The purchase price for the shares is generally determined pursuant to certain formulas set forth in the stockholders' agreements, but after July 31, 2010, the purchase price, under certain circumstances involving a termination of, or resignation from, employment would be the fair market value of the shares. For additional information, see Item 12 "Security Ownership of Certain Beneficial Holders and Management." Alon owns 81.6% of the Partnership's common units and 100% of Alon USA

Partners GP, LLC, the general partner of the Partnership. To the extent the Partnership is unable to make distributions to its partners, we may be unable to pay any dividends.

The wholesale fuel distribution industry is characterized by intense competition and fragmentation and our failure to effectively compete could adversely affect our business and results of operations.

The market for distribution of wholesale motor fuel is highly competitive and fragmented. We have numerous competitors, some of which have significantly greater resources and name recognition than us. We rely on our ability to provide reliable supply and value-added services and to control our operating costs in order to maintain our margins and competitive position. If we were to fail to maintain the quality of our services, customers could choose alternative distribution sources and our competitive position could be adversely affected. Furthermore, we compete against major oil companies with integrated marketing businesses. Through their greater resources and access to crude oil, these companies may be better able to compete on the basis of price or offer lower wholesale and retail pricing which could negatively affect our fuel margins. The occurrence of any of these events could have a material adverse effect on our business and results of operations.

Commodity derivative contracts may limit our potential gains, exacerbate potential losses, result in period-to-period earnings volatility and involve other risks.

We may enter into commodity derivatives contracts to mitigate our crack spread risk with respect to a portion of our expected gasoline and diesel production. We enter into these arrangements with the intent to secure a minimum fixed cash flow stream on the volume of products hedged during the hedge term. However, our hedging arrangements may fail to fully achieve these objectives for a variety of reasons, including our failure to have adequate hedging contracts, if any, in effect at any particular time and the failure of our hedging arrangements to produce the anticipated results. We may not be able to procure adequate hedging arrangements due to a variety of factors. Moreover, while intended to reduce the adverse effects of fluctuations in crude oil and refined product prices, such transactions may limit our ability to benefit from favorable changes in margins. In addition, our hedging activities may expose us to the risk of financial loss in certain circumstances, including instances in which:

- the volumes of our actual use of crude oil or production of the applicable refined products is less than the volumes subject to the hedging arrangement;
- accidents, interruptions in feedstock transportation, inclement weather or other events cause unscheduled shutdowns or otherwise adversely affect our refinery, or those of our suppliers or customers;
- the counterparties to our futures contracts fail to perform under the contracts; or
- a sudden, unexpected event materially impacts the commodity or crack spread subject to the hedging arrangement.

As a result, the effectiveness of our risk mitigation strategy could have a material adverse impact on our financial results and our ability to make distributions. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk.”

The adoption of regulations implementing recent financial reform legislation could impede our ability to manage business and financial risks by restricting our use of derivative instruments as hedges against fluctuating commodity prices.

The U.S. Congress adopted the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010 (the “Dodd-Frank Act”). This comprehensive financial reform legislation establishes federal oversight and regulation of the over-the-counter derivatives market and entities, such as us, that participate in that market. The Dodd-Frank Act requires the Commodity Futures Trading Commission (“CFTC”), the SEC and other regulators to promulgate rules and regulations implementing the new legislation. The CFTC has adopted regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. Certain bona fide hedging transactions or derivative instruments would be exempt from these position limits. The Dodd-Frank Act may also require compliance with margin requirements and with certain clearing and trade-execution requirements in connection with certain derivative activities, although the application of those provisions to us is uncertain at this time. The legislation may also require certain counterparties to our commodity derivative contracts to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty, or cause the entity to comply with the capital requirements, which could result in increased costs to counterparties such as us. The final rules will be phased in over time according to a specified schedule which is dependent on finalization of certain other rules to be promulgated by the CFTC and the SEC.

The Dodd-Frank Act and any new regulations could significantly increase the cost of some commodity derivative contracts (including through requirements to post collateral, which could adversely affect our available liquidity), materially alter the terms of some commodity derivative contracts, reduce the availability of some derivatives to protect against risks we

encounter, reduce our ability to monetize or restructure our existing commodity derivative contracts and potentially increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of the Dodd-Frank Act and any new regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to make distributions or plan for and fund capital expenditures. Increased volatility may make us less attractive to certain types of investors. Finally, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. If the Dodd-Frank Act and any new regulations result in lower commodity prices, our net sales could be adversely affected. Any of these consequences could adversely affect our business, financial condition and results of operations and therefore could have an adverse effect on our ability to make distributions.

It may be difficult to serve process on or enforce a United States judgment against certain of our directors.

All of our directors, other than Messrs. Ron Haddock and Jeff Morris, reside in Israel. In addition, a substantial portion of the assets of these directors are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in United States courts against these persons in any action, including actions based upon the civil liability provisions of United States federal or state securities laws. Furthermore, there is substantial doubt that the courts of the State of Israel would enter judgments in original actions brought in those courts predicated on United States federal or state securities laws.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary conduct of our business, we are subject to periodic lawsuits, investigations and claims, including environmental claims and employee related matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, we do not believe that any currently pending legal proceeding or proceedings to which we are a party will have a material adverse effect on our business, results of operations, cash flows or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock is traded on the New York Stock Exchange under the symbol "ALJ."

The following table sets forth the quarterly high and low sales prices of our common stock for each quarterly period within the two most recently completed fiscal years:

Quarterly Period	High	Low
2012		
Fourth Quarter	\$ 18.37	\$ 12.06
Third Quarter	14.60	8.29
Second Quarter	9.40	7.52
First Quarter	11.94	8.61
2011		
Fourth Quarter	\$ 12.09	\$ 5.35
Third Quarter	13.20	6.11
Second Quarter	15.58	9.81
First Quarter	13.98	5.91

Holders

As of March 1, 2013, there were 34 common stockholders of record.

Dividends

Common Stock Dividends. Alon paid regular quarterly cash dividends of \$0.04 per share on Alon's common stock in 2012 on each of the following dates: March 15, 2012; June 15, 2012; September 19, 2012; and December 17, 2012. Additionally, the non-controlling interest stockholders of Alon Assets and Alon Operating received aggregate cash dividends of \$524.

Alon paid regular quarterly cash dividends of \$0.04 per share on Alon's common stock in 2011 on each of the following dates: March 15, 2011; June 15, 2011; September 15, 2011; and December 15, 2011. Additionally, the non-controlling interest stockholders of Alon Assets and Alon Operating received aggregate cash dividends of \$704.

We intend to continue to pay quarterly cash dividends on our common stock at an annual rate of \$0.16 per share. However, the declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, legal requirements, restrictions in our debt agreements, the terms of our preferred stock and other factors our board of directors deems relevant.

Preferred Stock Dividends. We issued 358,000 and 328,000 shares in aggregate of common stock for payment of preferred stock dividends for the years ended December 31, 2012 and 2011, respectively.

Recent Sales of Unregistered Securities

On October 11, 2012, Alon issued 116,347 shares of Alon Common Stock to Jeff D. Morris, the Vice Chairman of the board of directors and a former officer of Alon. Pursuant to the terms of a shareholders agreement between Mr. Morris, Alon and two subsidiaries of Alon (Alon Assets and Alon Operating), Mr. Morris exchanged 621.98 shares of non-voting common stock of Alon Assets and 233.57 shares of non-voting common stock of Alon Operating for 116,347 shares of common stock in Alon.

On October 11, 2012, Alon issued 48,475 shares of Alon Common Stock to Claire A. Hart, a Senior Vice President of Alon. Pursuant to the terms of a shareholders agreement between Mr. Hart, Alon and two subsidiaries of Alon (Alon Assets and Alon Operating), Mr. Hart exchanged 259.14 shares of non-voting common stock of Alon Assets and 97.31 shares of non-voting common stock of Alon Operating for 48,475 shares of common stock in Alon.

On October 11, 2012, Alon issued 115,793 shares of Alon Common Stock to Joe Concienne, a former officer of Alon. Pursuant to the terms of a shareholders agreement between Mr. Concienne, Alon and two subsidiaries of Alon (Alon Assets and Alon Operating), Mr. Concienne exchanged 673.07 shares of non-voting common stock of Alon Assets and 252.73 shares of

non-voting common stock of Alon Operating for 115,793 shares of common stock in Alon and a cash payment of \$300 (prior to tax withholding obligations).

The issuances of the shares of Common Stock to Messrs. Morris, Hart and Concienne were exempt from registration under Section 4(2) of the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

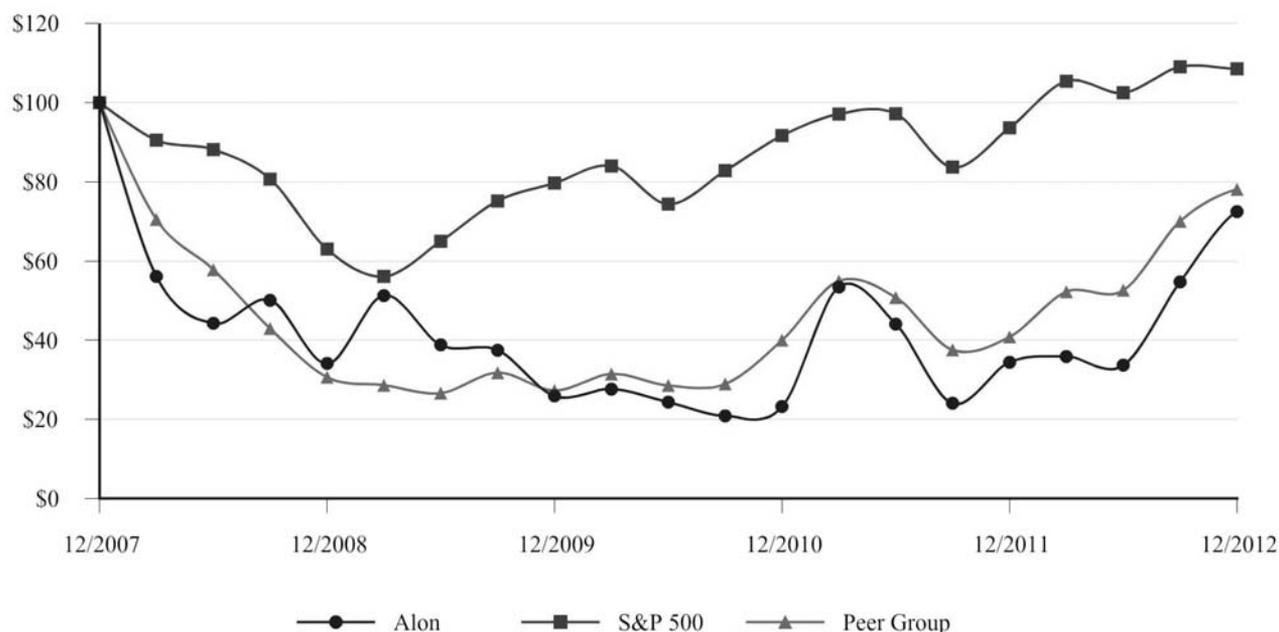
None.

Stockholder Return Performance Graph

The following performance graph and related information shall not be deemed “soliciting material” or “filed” with the SEC, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent we specifically incorporate it by reference into such filing.

The following performance graph compares the cumulative total stockholder return on Alon common stock as traded on the NYSE with the Standard & Poor’s 500 Stock Index (the “S&P 500”) and our peer group for the cumulative five-year period from December 31, 2007 to December 31, 2012, assuming an initial investment of \$100 dollars and the reinvestment of all dividends, if any. The “Peer Group” includes HollyFrontier Corporation, Tesoro Corporation, Valero Energy Corporation, Delek US Holdings, Inc., Western Refining, Inc. and CVR Energy, Inc.

COMPARISON OF CUMMULATIVE FIVE YEAR RETURN



	12/2007	12/2008	12/2009	12/2010	12/2011	12/2012
Alon	\$ 100.00	\$ 34.10	\$ 25.90	\$ 23.22	\$ 34.37	\$ 72.43
S&P 500	100.00	63.00	79.67	91.67	93.61	108.59
Peer Group	100.00	30.63	27.30	39.99	41.75	79.70

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth selected historical consolidated financial and operating data for our company. The selected historical consolidated statement of operations and consolidated statement of cash flows data for the years ended December 31, 2009 and 2008, and the selected consolidated balance sheet data as of December 31, 2010, 2009 and 2008 are derived from our audited consolidated financial statements, which are not included in this Annual Report on Form 10-K. The selected historical consolidated statement of operations and consolidated statement of cash flows data for the years ended December 31, 2012, 2011 and 2010, and the selected consolidated balance sheet data as of December 31, 2012 and 2011, are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

The following selected historical consolidated financial and operating data should be read in conjunction with Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(dollars in thousands, except per share data)				
STATEMENT OF OPERATIONS DATA:					
Net sales	\$ 8,017,741	\$ 7,186,257	\$ 4,030,743	\$ 3,915,732	\$ 5,156,706
Operating costs and expenses	7,745,957	7,005,465	4,192,469	3,994,977	5,258,153
Gain on involuntary conversion of assets (1)	—	—	—	—	279,680
Gain (loss) on disposition of assets (2)	(2,309)	729	945	(1,591)	45,244
Operating income (loss)	269,475	181,521	(160,781)	(80,836)	223,477
Net income (loss) available to stockholders	79,134	42,507	(122,932)	(115,156)	82,883
Earnings (loss) per share, basic	\$ 1.29	\$ 0.77	\$ (2.27)	\$ (2.46)	\$ 1.77
Weighted average shares outstanding, basic	57,501	55,431	54,186	46,829	46,788
Earnings (loss) per share, diluted	\$ 1.24	\$ 0.69	\$ (2.27)	\$ (2.46)	\$ 1.72
Weighted average shares outstanding, diluted	63,917	61,401	54,186	46,829	49,583
Cash dividends per common share	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16
CASH FLOW DATA:					
Net cash provided by (used in):					
Operating activities	\$ 387,810	\$ 69,560	\$ 21,330	\$ 283,145	\$ (812)
Investing activities	(104,980)	(126,542)	(40,925)	(138,691)	(610,322)
Financing activities	(323,600)	142,361	50,845	(122,471)	560,973
BALANCE SHEET DATA:					
Cash and cash equivalents	\$ 116,296	\$ 157,066	\$ 71,687	\$ 40,437	\$ 18,454
Working capital	87,242	99,452	990	84,257	250,384
Total assets	2,223,574	2,330,382	2,088,521	2,132,789	2,413,433
Total debt	587,017	1,050,196	916,305	937,024	1,103,569
Total equity	621,186	395,784	341,767	431,918	536,867

- (1) Gain on involuntary conversion of assets reported in 2008 of \$279.7 million represents the insurance proceeds received as a result of the Big Spring refinery fire in excess of the book value of the assets impaired of \$25.3 million and demolition and repair expenses of \$25.0 million incurred through December 31, 2008.
- (2) Gain on disposition of assets reported in 2008 primarily reflects the recognition of all the remaining deferred gain associated with the HEP transaction due to the termination of an indemnification agreement with HEP.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of our financial condition and results of operations is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K and the other sections of this Annual Report on Form 10-K, including Items 1 and 2 "Business and Properties," and Item 6 "Selected Financial Data."

Forward-Looking Statements

Certain statements contained in this report and other materials we file with the SEC, or in other written or oral statements made by us, other than statements of historical fact, are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words "anticipate," "assume," "believe," "budget," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "future" and similar terms and phrases to identify forward-looking statements.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial condition, results of operations and cash flows. See Item 1A "Risk Factors."

Actual events, results and outcomes may differ materially from our expectations due to a variety of factors. Although it is not possible to identify all of these factors, they include, among others, the following:

- changes in general economic conditions and capital markets;
- changes in the underlying demand for our products;
- the availability, costs and price volatility of crude oil, other refinery feedstocks and refined products;
- changes in the spread between West Texas Intermediate ("WTI") crude oil and West Texas Sour ("WTS") crude oil;
- changes in the spread between WTI crude oil and Light Louisiana Sweet oil, as well as the spread between California crudes such as Buena Vista and WTI;
- the effects of transactions involving forward contracts and derivative instruments;
- actions of customers and competitors;
- termination of our Supply and Offtake Agreements with J. Aron & Company ("J. Aron"), which include all our refineries and under which J. Aron is our largest supplier of crude oil and our largest customer of refined products. Additionally, we are obligated to repurchase all consigned inventories and certain other inventories upon termination of these Supply and Offtake Agreements;
- changes in fuel and utility costs incurred by our facilities;
- disruptions due to equipment interruption, pipeline disruptions, waterborne barge shipment disruptions or failures at our or third-party facilities;
- the execution of planned capital projects;
- adverse changes in the credit ratings assigned to our trade credit and debt instruments;
- the effects and cost of compliance with current and future state and federal environmental, economic, safety and other laws, policies and regulations;
- operating hazards, natural disasters, casualty losses and other matters beyond our control;
- the other factors discussed in this Annual Report on Form 10-K under the caption "Risk Factors."

Any one of these factors or a combination of these factors could materially affect our future results of operations and could influence whether any forward-looking statements ultimately prove to be accurate. Our forward-looking statements are not guarantees of future performance, and actual results and future performance may differ materially from those suggested in any forward-looking statements. We do not intend to update these statements unless we are required by the securities laws to do so.

Company Overview

We are an independent refiner and marketer of petroleum products operating primarily in the South Central, Southwestern and Western regions of the United States. Our crude oil refineries are located in Texas, California, Oregon and Louisiana and have a combined throughput capacity of approximately 250,000 barrels per day (“bpd”). Our refineries produce petroleum products including various grades of gasoline, diesel fuel, jet fuel, petrochemicals, petrochemical feedstocks, asphalt, and other petroleum-based products.

Refining and Marketing Segment. Our refining and marketing segment includes sour and heavy crude oil refineries located in Big Spring, Texas; and Paramount, Bakersfield and Long Beach, California; and a light sweet crude oil refinery located in Krotz Springs, Louisiana. We refer to the Paramount, Bakersfield and Long Beach refineries together as our “California refineries.” The refineries in our refining and marketing segment have a combined throughput capacity of approximately 240,000 bpd. At these refineries we refine crude oil into petroleum products, including gasoline, diesel fuel, jet fuel, petrochemicals, petrochemical feedstocks and asphalts, which are marketed primarily in the South Central, Southwestern, and Western United States. At Bakersfield, we convert intermediate products into finished products and do not refine crude oil.

Alon owns the Big Spring refinery and wholesale marketing operations through Alon USA Partners, LP. Alon markets transportation fuels produced at its Big Spring refinery in West and Central Texas, Oklahoma, New Mexico and Arizona. Alon refers to its operations in these regions as its “physically integrated system” because it supplies its Alon branded and unbranded distributors in these regions with motor fuels produced at its Big Spring refinery and distributed through a network of pipelines and terminals which it either owns or has access to through leases or long-term throughput agreements.

We supply gasoline and diesel to approximately 640 Alon branded retail sites, including our retail segment convenience stores. Approximately 54% of the gasoline and 23% of the diesel motor fuel produced at the Big Spring refinery was transferred to our retail segment convenience stores at prices substantially determined by wholesale market prices. Additionally, we license the use of the Alon brand name and provide credit card processing services to approximately 115 licensed locations that are not under fuel supply agreements.

We have operated under an exclusive license to use the FINA trademark in the wholesale distribution of motor fuel within Texas, Oklahoma, New Mexico, Arizona, Arkansas, Louisiana, Colorado and Utah since 2000. Our license to use the FINA brand expired in August 2012 in accordance with its terms. We developed our own brand and logo in anticipation of the expiration of this license and have converted all of our locations and substantially all locations served by our branded marketing business to the new Alon brand. Under the Alon brand, we are no longer subject to the geographic limitations contained in the FINA license agreement.

We market refined products produced by our California refineries to wholesale distributors, other refiners and third parties primarily on the West Coast. At Bakersfield, we operate the hydrocracker unit and process vacuum gas oil produced by our other California locations.

We market refined products produced by our Krotz Springs refinery to other refiners and third parties. The refinery’s location provides access to upriver markets on the Mississippi and Ohio Rivers. The refinery also uses its direct access to the Colonial Pipeline to transport products to markets in the Southern and Eastern United States. The Krotz Springs refinery processing units are structured to yield approximately 101.5% of total feedstock input, meaning that for each 100 barrels of crude oil and feedstocks input into the refinery, it produces 101.5 barrels of refined products. Of the 101.5%, on average 99.0% is light finished products such as gasoline and distillates, including diesel and jet fuel, petrochemical feedstocks and liquefied petroleum gas, and the remaining 2.5% is primarily heavy oils.

Asphalt Segment. Our asphalt segment markets asphalt produced at our Big Spring and California refineries included in the refining and marketing segment and at our Willbridge, Oregon refinery. Asphalt produced by the refineries in our refining and marketing segment is transferred to the asphalt segment at prices substantially determined by reference to the cost of crude oil, which is intended to approximate wholesale market prices. Our asphalt segment markets asphalt through 11 refinery/terminal locations in Texas (Big Spring), California (Paramount, Long Beach, Elk Grove, Bakersfield and Mojave), Oregon (Willbridge), Washington (Richmond Beach), Arizona (Phoenix and Flagstaff) and Nevada (Fernley) (50% interest) as well as through a 50% interest in Wright Asphalt Products Company, LLC (“Wright”). We produce both paving and roofing grades of asphalt, including performance-graded asphalts, emulsions and cutbacks.

Retail Segment. Our retail segment operates 298 convenience stores located in Central and West Texas and New Mexico. These convenience stores typically offer various grades of gasoline, diesel fuel, general merchandise and food and beverage products to the general public, primarily under the 7-Eleven and Alon brand names. Substantially all of the motor fuel sold through our retail segment is supplied by our Big Spring refinery.

Summary of 2012 Developments

- On November 26, 2012, Alon USA Partners, LP (the "Partnership") completed its initial public offering (NYSE: ALDW) of 11,500,000 common units representing 18.4% of the Partnership's limited partner interests. The initial public offering generated proceeds of \$167.8 million net of offering costs.
- In conjunction with the Partnership's initial public offering, we entered into a \$450.0 million Alon USA Term Loan. We assigned \$250.0 million of the Alon USA Term loan to the Partnership as part of the initial public offering transactions. We primarily used proceeds from the initial public offering to fully repay the remaining outstanding balance of the Alon USA Term Loan.
- In February 2012, we paid in full our obligations under the Paramount Petroleum Corporation Credit Facility.
- In 2012, we began receiving WTI priced crude oils at the Krotz Springs refinery averaging throughput of 20,111 bpd for the full year of 2012.
- In the first quarter of 2012, we entered into a Supply and Offtake Agreement (the "California Supply and Offtake Agreement"), with J. Aron & Company ("J. Aron"). Pursuant to the California Supply and Offtake Agreement (i) J. Aron agreed to sell to us, and we agreed to buy from J. Aron, at market prices, crude oil for processing at the California refineries and (ii) we agreed to sell, and J. Aron agreed to buy, at market prices, certain refined products produced by the California refineries.

Additionally, the Supply and Offtake Agreements for the Big Spring, Krotz Springs and California refineries were amended to extend the initial term until May 2019.

2012 Operational and Financial Highlights

Operating income for 2012 was \$269.5 million, compared to \$181.5 million in 2011. Our operational and financial highlights for 2012 include the following:

- Combined refinery throughput for 2012 averaged 154,700 bpd, consisting of 68,946 bpd at the Big Spring refinery, 17,877 bpd at the California refineries and 67,877 bpd at the Krotz Springs refinery, compared to 146,149 bpd for 2011, consisting of 63,614 bpd at the Big Spring refinery, 22,815 bpd at the California refineries and 59,720 bpd at the Krotz Springs refinery.
- Operating margin at the Big Spring refinery was \$23.50 per barrel in 2012, compared to \$20.89 per barrel in 2011. This increase is due to higher Gulf Coast 3/2/1 crack spreads and a widening sweet/sour spread.
- Operating margin at the California refineries was \$2.36 per barrel in 2012, compared to \$(1.31) per barrel in 2011. This increase primarily reflects higher West Coast 3/1/1/1 crack spreads.
- Operating margin at the Krotz Springs refinery was \$8.30 per barrel in 2012, compared to \$3.05 per barrel in 2011. This increase reflects the effects of the refinery taking advantage of lower crude oil costs with the addition of WTI priced crude oils and higher Gulf Coast 2/1/1 high sulfur diesel crack spreads.
- The average WTI to WTS spread for 2012 was \$5.46 per barrel compared to \$2.06 per barrel for 2011. The average LLS to WTI spread for 2012 was \$16.46 per barrel compared to \$16.76 per barrel for 2011. The average WTI to Buena Vista spread for 2012 was \$(14.48) per barrel compared to \$(13.36) per barrel for 2011.
- The average Gulf Coast 3/2/1 crack spread was \$27.43 per barrel for 2012 compared to \$23.37 per barrel for 2011. The average West Coast 3/1/1/1 crack spread for 2012 was \$13.08 per barrel compared to \$9.20 per barrel for 2011. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for 2012 was \$11.29 per barrel compared to \$7.00 per barrel for 2011.
- Asphalt margins in 2012 were \$42.64 per ton compared to \$26.99 per ton in 2011. This increase is due primarily to higher asphalt sales prices in 2012 as compared to 2011. The average blended asphalt sales price increased 8.9% from \$541.44 per ton in 2011 to \$589.63 per ton in 2012 and the average non-blended asphalt sales price increased \$45.67 per ton from \$326.69 per ton in 2011 to \$372.36 per ton in 2012.
- Retail fuel sales volume increased by 9.0% from 156.7 million gallons in 2011 to 170.8 million gallons in 2012.
- Cost of goods sold for 2012 was also impacted by losses on commodity swaps of \$130.1 million compared to gains on commodity swaps of \$30.0 million in 2011. Additionally, other income (loss) in 2012 was impacted by losses of \$7.3 million associated with heating oil call option crack spread contracts compared to \$36.3 million in 2011.

Major Influences on Results of Operations

Refining and Marketing. Earnings and cash flow from our refining and marketing segment are primarily affected by the difference between refined product prices and the prices for crude oil and other feedstocks. These prices depend on numerous factors beyond our control, including the supply of, and demand for, crude oil, gasoline and other refined products which, in turn, depend on, among other factors, changes in domestic and foreign economies, weather conditions, domestic and foreign political affairs, production levels, the availability of imports, the marketing of competitive fuels and government regulation. While our sales and operating revenues fluctuate significantly with movements in crude oil and refined product prices, it is the spread between crude oil and refined product prices, and not necessarily fluctuations in those prices, that affect our earnings.

In order to measure our operating performance, we compare our per barrel refinery operating margins to certain industry benchmarks. We calculate this margin for each refinery by dividing the refinery's gross margin by its throughput volumes. Gross margin is the difference between net sales and cost of sales (exclusive of substantial hedge positions and certain inventory adjustments). Each refinery is compared to an industry benchmark that is intended to approximate that refinery's crude slate and product yield.

We compare our Big Spring refinery's per barrel operating margin to the Gulf Coast 3/2/1 crack spread. A 3/2/1 crack spread is calculated assuming that three barrels of a benchmark crude oil are converted, or cracked, into two barrels of gasoline and one barrel of diesel. We calculate the Gulf Coast 3/2/1 crack spread using the market value of West Texas Intermediate Cushing, or WTI, a light, sweet crude oil, the market values of Gulf Coast conventional gasoline and ultra-low sulfur diesel.

We compare our California refineries' per barrel operating margin to the West Coast 3/1/1/1 crack spread. A 3/1/1/1 crack spread is calculated assuming that three barrels of a benchmark crude oil are converted into one barrel of gasoline, one barrel of diesel and one barrel of fuel oil. We calculate the West Coast 3/1/1/1 crack spread using the market value of Buena Vista crude oil, the market values of West Coast LA CARBOB pipeline gasoline, LA ultra-low sulfur pipeline diesel and LA 380 pipeline CST (fuel oil).

We compare our Krotz Springs refinery's per barrel margin to the Gulf Coast 2/1/1 crack spread. A 2/1/1 crack spread is calculated assuming that two barrels of a benchmark crude oil are converted into one barrel of gasoline and one barrel of diesel. We calculate the Gulf Coast 2/1/1 crack spread using the market value of Light Louisiana Sweet, or LLS, crude oil, the market values of Gulf Coast conventional gasoline and Gulf Coast high sulfur diesel.

Our Big Spring refinery and California refineries are capable of processing substantial volumes of sour crude oil, which has historically cost less than intermediate and sweet crude oils. We measure the cost advantage of refining sour crude oil by calculating the difference between the value of WTI crude oil and the value of West Texas Sour, or WTS, a medium, sour crude oil. We refer to this differential as the sweet/sour spread. A widening of the sweet/sour spread can favorably influence the operating margin for our Big Spring and California refineries. In addition, our California refineries are capable of processing significant volumes of heavy crude oils which historically have cost less than light crude oils. We measure the cost advantage of refining heavy crude oils by calculating the difference between the value of WTI crude oil and the value of Buena Vista crude oil. A widening of this spread can favorably influence the refinery operating margins for our California refineries.

The Krotz Springs refinery has the capability to process substantial volumes of low-sulfur, or sweet, crude oils to produce a high percentage of light, high-value refined products. Sweet crude oil typically comprises 100% of the Krotz Springs refinery's crude oil input. This input is primarily comprised of LLS crude oil and WTI crude oil. We measure the cost of refining the LLS crude oil by calculating the difference between the average value of LLS crude oil and the average value of WTI crude oil. A narrowing of this spread can favorably influence the refinery operating margins of our Krotz Springs refinery.

The results of operations from our refining and marketing segment are also significantly affected by our refineries' operating costs, particularly the cost of natural gas used for fuel and the cost of electricity. Natural gas prices have historically been volatile. Typically, electricity prices fluctuate with natural gas prices.

Demand for gasoline products is generally higher during summer months than during winter months due to seasonal increases in highway traffic. As a result, the operating results for our refining and marketing segment for the first and fourth calendar quarters are generally lower than those for the second and third calendar quarters. The effects of seasonal demand for gasoline are partially offset by seasonality in demand for diesel, which in our region is generally higher in winter months as east-west trucking traffic moves south to avoid winter conditions on northern routes.

Safety, reliability and the environmental performance of our refineries are critical to our financial performance. The financial impact of planned downtime, such as a turnaround or major maintenance project, is mitigated through a diligent planning process that considers expectations for product availability, margin environment and the availability of resources to perform the required maintenance.

The nature of our business requires us to maintain substantial quantities of crude oil and refined product inventories. Crude oil and refined products are essentially commodities, and we have no control over the changing market value of these inventories. Because our inventory is valued at the lower of cost or market value under the LIFO inventory valuation methodology, price fluctuations generally have little effect on our financial results.

Asphalt. Earnings from our asphalt segment depend primarily upon the margin between the price at which we sell our asphalt and the transfer prices for asphalt produced at our refineries. Asphalt is transferred to our asphalt segment from our refining and marketing segment at prices substantially determined by reference to the cost of crude oil, which is intended to approximate wholesale market prices. At times when refining margins are unfavorable we opportunistically purchase asphalt from other producers for resale. A portion of our asphalt sales are made using fixed price contracts for delivery at future dates. Because these contracts are priced at the market prices for asphalt at the time of the contract, a change in the cost of crude oil between the time we enter into the contract and the time we produce the asphalt can positively or negatively influence the earnings of our asphalt segment. Demand for paving asphalt products is higher during warmer months than during colder months due to seasonal increases in road construction work. As a result, revenues from our asphalt segment for the first and fourth calendar quarters are expected to be lower than those for the second and third calendar quarters.

Retail. Earnings and cash flows from our retail segment are primarily affected by merchandise and motor fuel sales volumes and margins at our convenience stores. Retail merchandise gross margin is equal to retail merchandise sales less the delivered cost of the retail merchandise, net of vendor discounts and rebates, measured as a percentage of total retail merchandise sales. Retail merchandise sales are driven by convenience, branding and competitive pricing. Motor fuel margin is equal to motor fuel sales less the delivered cost of fuel and motor fuel taxes, measured on a cents per gallon ("cpg") basis. Our motor fuel margins are driven by local supply, demand and competitor pricing. Our retail sales are seasonal and peak in the second and third quarters of the year, while the first and fourth quarters usually experience lower overall sales.

Factors Affecting Comparability

Our financial condition and operating results over the three-year period ended December 31, 2012 have been influenced by the following factors, which are fundamental to understanding comparisons of our period-to-period financial performance.

Initial Public Offering of Alon USA Partners, LP

On November 26, 2012, the Partnership completed its initial public offering of 11,500,000 common units representing limited partner interests. As of December 31, 2012, the 11,500,000 common units held by the public represent 18.4% of the Partnership's common units outstanding. Alon owns the remaining 81.6% of the Partnership's common units and Alon USA Partners GP, LLC (the "General Partner"), Alon's wholly-owned subsidiary, owns 100% of the non-economic general partner interest in the Partnership. The Partnership is consolidated within the refining and marketing segment.

The non-controlling interest in the Partnership on the December 31, 2012 consolidated balance sheet represents the investment by partners other than Alon, including those partners' share of net income, distributions and accumulated other comprehensive income (loss) of the Partnership since the close of its initial public offering on November 26, 2012. Non-controlling interest in net income of the Partnership on Alon's consolidated statements of operations represents those partners' share of net income of the Partnership.

Costs Associated with Early Repayment of Debt

Interest expense for the year ended December 31, 2012, includes a charge for original issuance discount of \$9.6 million associated with the repayment of the Alon Brands Term loan and \$18.8 million associated with the repayment of the Alon USA Term Loan Credit Facility. In addition, we recorded a write-off of debt issuance costs of \$8.8 million associated with the early repayment of credit facilities. Interest expense for the year ended December 31, 2010 includes a charge of \$6.7 million for the write-off of debt issuance costs related to the prepayment of the Alon Refining Krotz Springs, Inc. revolving credit facility.

Certain Derivative Impacts

Included in unrealized (gains) losses on commodity swaps and cost of goods sold in the aggregate for the years ended December 31, 2012 and 2011 are recorded losses of \$130.1 million and gains of \$30.0 million on commodity swaps, respectively. We had no significant unrealized or realized gains or losses on commodity swaps for the year ended December 31, 2010.

Included in other income (loss), net in the consolidated statements of operations, we had losses on heating oil call option crack spread contracts of \$7.3 million, \$36.3 million and \$4.1 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Refinery Acquisitions

In June 2010, we purchased the Bakersfield, California refinery from Big West of California, LLC, a subsidiary of Flying J, Inc. The refinery was non-operational at the time and required turnaround work and additional capital expenditures before it could be returned to operations and integrated with our other California refineries. In connection with the Bakersfield refinery acquisition, the acquisition date fair value of the identifiable net assets acquired exceeded the fair value of the consideration transferred, resulting in a \$17.5 million bargain purchase gain.

In June 2011, we completed the Bakersfield integration project marking the realization of the plan to have a hydrocracker unit to increase the light products yields of our California refineries. We began selling products produced by our Bakersfield refinery at the beginning of the third quarter of 2011.

Unscheduled Turnaround and Reduced Crude Oil Throughput

In an effort to match our safety, reliability and the environmental performance initiatives with the current operating margin environment, we accelerated a planned turnaround at our Krotz Springs refinery from the first quarter of 2010 to the fourth quarter of 2009. The refinery resumed operations in June 2010. Crude throughput was reduced at the Krotz Springs refinery during the second quarter of 2011 due to the flooding in Louisiana and its impact on crude oil supply to the refinery.

Results of Operations

The period to period comparisons of our results of operations have been prepared using the historical periods included in our consolidated financial statements. We refer to our financial statement line items in the explanation of our period-to-period changes in results of operations. Below are general definitions of what those line items include and represent.

Net Sales. Net sales consist primarily of sales of refined petroleum products through our refining and marketing segment and asphalt segment and sales of merchandise, food products, and motor fuels, through our retail segment.

For the refining and marketing segment, net sales consist of gross sales, net of customer rebates, discounts and excise taxes and includes inter-segment sales to our asphalt and retail segments, which are eliminated through consolidation of our financial statements. Asphalt sales consist of gross sales, net of any discounts and applicable taxes. For our petroleum and asphalt products, net sales are mainly affected by crude oil and refined product prices and volume changes caused by operations. Retail net sales consist of gross merchandise sales, less rebates, commissions and discounts, and gross fuel sales, including motor fuel taxes. Our retail merchandise sales are affected primarily by competition and seasonal influences.

Cost of Sales. Refining and marketing cost of sales includes crude oil and other raw materials, inclusive of transportation costs. Asphalt cost of sales includes costs of purchased asphalt, blending materials and transportation costs. Retail cost of sales includes cost of sales for motor fuels and for merchandise. Motor fuel cost of sales represents the net cost of purchased fuel, including transportation costs and associated motor fuel taxes. Merchandise cost of sales includes the delivered cost of merchandise purchases, net of merchandise rebates and commissions. Cost of sales excludes depreciation and amortization expense.

Direct Operating Expenses. Direct operating expenses, which relate to our refining and marketing and asphalt segments, include costs associated with the actual operations of our refineries and asphalt terminals, such as energy and utility costs, routine maintenance, labor, insurance and environmental compliance costs. Environmental compliance costs, including monitoring and routine maintenance, are expensed as incurred. All operating costs associated with our crude oil and product pipelines are considered to be transportation costs and are reflected as cost of sales.

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, expenses consist primarily of costs relating to the operations of our convenience stores, including labor, utilities, maintenance and retail corporate overhead costs. Refining and marketing and asphalt segment corporate overhead and marketing expenses are also included in SG&A expenses.

ALON USA ENERGY, INC. AND SUBSIDIARIES CONSOLIDATED

Summary Financial Tables. The following tables provide summary financial data and selected key operating statistics for us and our three operating segments for years ended December 31, 2012, 2011 and 2010. The summary financial data for our three operating segments does not include certain SG&A expenses and depreciation and amortization related to our corporate headquarters. The following data should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,		
	2012	2011	2010
(dollars in thousands, except per share data)			
STATEMENT OF OPERATIONS DATA:			
Net sales (1)	\$ 8,017,741	\$ 7,186,257	\$ 4,030,743
Operating costs and expenses:			
Cost of sales	7,117,449	6,494,883	3,712,358
Unrealized (gains) losses on commodity swaps	31,936	(31,936)	—
Direct operating expenses	313,242	285,666	249,933
Selling, general and administrative expenses (2)	161,401	143,122	128,082
Depreciation and amortization (3)	121,929	113,730	102,096
Total operating costs and expenses	7,745,957	7,005,465	4,192,469
Gain (loss) on disposition of assets	(2,309)	729	945
Operating income (loss)	269,475	181,521	(160,781)
Interest expense (4)	(129,572)	(88,310)	(94,939)
Equity earnings of investees	7,162	5,128	5,439
Gain on bargain purchase (5)	—	—	17,480
Other income (loss), net (6)	(6,584)	(35,673)	9,716
Income (loss) before income tax expense (benefit)	140,481	62,666	(223,085)
Income tax expense (benefit)	49,884	18,918	(90,512)
Net income (loss)	90,597	43,748	(132,573)
Net income (loss) attributable to non-controlling interest	11,463	1,241	(9,641)
Net income (loss) available to stockholders	\$ 79,134	\$ 42,507	\$ (122,932)
Earnings (loss) per share, basic	\$ 1.29	\$ 0.77	\$ (2.27)
Weighted average shares outstanding, basic (in thousands)	57,501	55,431	54,186
Earnings (loss) per share, diluted	\$ 1.24	\$ 0.69	\$ (2.27)
Weighted average shares outstanding, diluted (in thousands)	63,917	61,401	54,186
Cash dividends per share	\$ 0.16	\$ 0.16	\$ 0.16
CASH FLOW DATA:			
Net cash provided by (used in):			
Operating activities	\$ 387,810	\$ 69,560	\$ 21,330
Investing activities	(104,980)	(126,542)	(40,925)
Financing activities	(323,600)	142,361	50,845
OTHER DATA:			
Adjusted EBITDA (7) (A)	\$ 394,291	\$ 263,977	\$ (44,475)
Capital expenditures (8)	93,901	112,625	46,707
Capital expenditures for turnaround and chemical catalyst	11,460	9,734	13,131

(A) Adjusted EBITDA does not exclude unrealized gains (losses) on commodity swaps of \$(31,936) and \$31,936 for the years ended December 31, 2012 and 2011, respectively. Adjusted EBITDA also does not exclude losses on heating oil call option crack spread contracts of \$7,297 and \$36,280 for the years ended December 31, 2012 and 2011, respectively. Adjusted EBITDA excluding the impact of these items would be \$433,524 and \$268,321 for the years ended December 31, 2012 and 2011, respectively.

	As of December 31,	
	2012	2011
BALANCE SHEET DATA:		
Cash and cash equivalents	\$ 116,296	\$ 157,066
Working capital	87,242	99,452
Total assets	2,223,574	2,330,382
Total debt	587,017	1,050,196
Total equity	621,186	395,784

- (1) Includes excise taxes on sales by the retail segment of \$66,563, \$60,686 and \$54,930 for the years ended December 31, 2012, 2011 and 2010, respectively.
- (2) Includes corporate headquarters selling, general and administrative expenses of \$960, \$752 and \$752 for the years ended December 31, 2012, 2011 and 2010, respectively, which are not allocated to our three operating segments.
- (3) Includes corporate depreciation and amortization of \$2,127, \$1,925 and \$1,380 for the years ended December 31, 2012, 2011 and 2010, respectively, which are not allocated to our three operating segments.
- (4) Interest expense for the year ended December 31, 2012 includes a charge of \$9,624 for the write-off of unamortized original issuance discount associated with our repayment of the Alon Brands Term Loan and charges of \$18,750 and \$8,826 for the write-off of unamortized original issuance discount and the write-off of debt issuance costs associated with the repayment of the Alon USA Energy, Inc. term loans, respectively. Interest expense for the year ended December 31, 2010, includes a charge of \$6,659 for the write-off of debt issuance costs associated with our prepayment of the Alon Refining Krotz Springs, Inc. revolving credit facility.
- (5) In connection with the Bakersfield refinery acquisition in 2010, the acquisition date fair value of the identifiable net assets acquired exceeded the fair value of the consideration transferred, resulting in a \$17,480 bargain purchase gain.
- (6) Other income (loss), net for the years ended December 31, 2012 and 2011, is substantially the loss on heating oil call option crack spread contracts. Other income (loss), net for the year ended December 31, 2010, includes a gain from the sale of our investment in Holly Energy Partners of \$7,277 and a loss on heating oil crack spread contracts of \$4,119.
- (7) See “- Reconciliation of Amounts Reported Under Generally Accepted Accounting Principles” for information regarding our definition of Adjusted EBITDA, its limitations as an analytical tool and a reconciliation of net income (loss) available to stockholders to Adjusted EBITDA for the periods presented.
- (8) Includes corporate capital expenditures of \$2,228, \$1,540 and \$2,335 for the years ended December 31, 2012, 2011 and 2010, respectively, which are not allocated to our three operating segments.

REFINING AND MARKETING SEGMENT (A)

	Year Ended December 31,		
	2012	2011	2010
	(dollars in thousands, except per barrel data and pricing statistics)		
STATEMENTS OF OPERATIONS DATA:			
Net sales (1)	\$ 7,241,935	\$ 6,558,625	\$ 3,469,921
Operating costs and expenses:			
Cost of sales	6,519,547	6,028,709	3,311,771
Unrealized (gains) losses on commodity swaps	31,936	(31,936)	—
Direct operating expenses	278,725	243,018	205,838
Selling, general and administrative expenses	51,215	39,190	28,888
Depreciation and amortization	103,638	90,701	82,047
Total operating costs and expenses	<u>6,985,061</u>	<u>6,369,682</u>	<u>3,628,544</u>
Gain (loss) on disposition of assets	(2,502)	12	656
Operating income (loss)	<u>\$ 254,372</u>	<u>\$ 188,955</u>	<u>\$ (157,967)</u>
KEY OPERATING STATISTICS:			
Per barrel of throughput:			
Refinery operating margin – Big Spring (2)	\$ 23.50	\$ 20.89	\$ 7.64
Refinery operating margin – CA Refineries (2)	2.36	(1.31)	1.08
Refinery operating margin – Krotz Springs (2)	8.30	3.05	2.24
Refinery direct operating expense – Big Spring (3)	4.00	4.23	5.05
Refinery direct operating expense – CA Refineries (3)	12.59	7.32	7.73
Refinery direct operating expense – Krotz Springs (3)	3.85	3.67	4.36
Capital expenditures	\$ 68,112	\$ 92,022	\$ 39,319
Capital expenditures for turnaround and chemical catalyst	11,460	9,734	13,131
PRICING STATISTICS:			
WTI crude oil (per barrel)	\$ 94.14	\$ 95.07	\$ 79.41
WTS crude oil (per barrel)	88.68	93.01	77.26
Buena Vista crude oil (per barrel)	108.62	108.43	78.08
LLS crude oil (per barrel)	111.53	110.98	80.61
Crack spreads (3/2/1) (per barrel):			
Gulf Coast	\$ 27.43	\$ 23.37	\$ 8.22
Crack spreads (3/1/1/1) (per barrel):			
West Coast	\$ 13.08	\$ 9.20	\$ 8.34
Crack spreads (2/1/1) (per barrel):			
Gulf Coast high sulfur diesel	\$ 11.29	\$ 7.00	\$ 5.26
Crude oil differentials (per barrel):			
WTI less WTS	\$ 5.46	\$ 2.06	\$ 2.15
LLS less WTI	16.46	16.76	2.49
WTI less Buena Vista	(14.48)	(13.36)	1.33
Product price (dollars per gallon):			
Gulf Coast unleaded gasoline	\$ 2.82	\$ 2.75	\$ 2.05
Gulf Coast ultra-low sulfur diesel	3.05	2.97	2.16
Gulf Coast high sulfur diesel	2.99	2.91	2.10
West Coast LA CARBOB (unleaded gasoline)	3.03	2.89	2.21
West Coast LA ultra-low sulfur diesel	3.11	3.05	2.21
Natural gas (per MMBTU)	2.83	4.03	4.38

(A) In the fourth quarter of 2012, based on a change in our internal reporting structure as a result of the Partnership's initial public offering, the branded marketing operations have been combined with the refining and marketing segment and are no longer included with the retail segment. Information for the branded marketing operations for the full year of 2012 is included in the refining and marketing segment. Information for the years ended December 31, 2011 and 2010 has been recast to provide a comparison to the current year results.

**THROUGHPUT AND PRODUCTION DATA:
BIG SPRING REFINERY**

	Year Ended December 31,					
	2012		2011		2010	
	bpd	%	bpd	%	bpd	%
Refinery throughput:						
WTS crude	52,190	75.7	51,202	80.4	39,349	80.2
WTI crude	14,396	20.9	10,023	15.8	7,288	14.9
Blendstocks	2,360	3.4	2,389	3.8	2,391	4.9
Total refinery throughput (4)	<u>68,946</u>	<u>100.0</u>	<u>63,614</u>	<u>100.0</u>	<u>49,028</u>	<u>100.0</u>
Refinery production:						
Gasoline	34,637	50.3	31,105	49.1	24,625	50.7
Diesel/jet	22,329	32.5	20,544	32.3	15,869	32.7
Asphalt	4,084	5.9	4,539	7.1	2,827	5.8
Petrochemicals	4,054	5.9	3,837	6.0	2,939	6.0
Other	3,706	5.4	3,488	5.5	2,341	4.8
Total refinery production (5)	<u>68,810</u>	<u>100.0</u>	<u>63,513</u>	<u>100.0</u>	<u>48,601</u>	<u>100.0</u>
Refinery utilization (6)		97.3%		90.8%		68.2%

**THROUGHPUT AND PRODUCTION DATA:
CALIFORNIA REFINERIES**

	Year Ended December 31,					
	2012		2011		2010	
	bpd	%	bpd	%	bpd	%
Refinery throughput:						
Medium sour crude	9,071	50.7	5,677	24.9	3,502	19.9
Heavy crude	8,038	45.0	14,962	65.6	13,688	77.8
Blendstocks	768	4.3	2,176	9.5	406	2.3
Total refinery throughput (4)	<u>17,877</u>	<u>100.0</u>	<u>22,815</u>	<u>100.0</u>	<u>17,596</u>	<u>100.0</u>
Refinery production:						
Gasoline	3,716	20.8	4,969	22.0	2,629	15.4
Diesel/jet	6,503	36.4	7,938	35.1	3,704	21.6
Asphalt	4,580	25.6	6,632	29.4	5,919	34.6
Heavy unfinished	2,603	14.6	2,292	10.2	4,483	26.2
Other	462	2.6	735	3.3	372	2.2
Total refinery production (5)	<u>17,864</u>	<u>100.0</u>	<u>22,566</u>	<u>100.0</u>	<u>17,107</u>	<u>100.0</u>
Refinery utilization (6)		23.6%		28.5%		25.9%

**THROUGHPUT AND PRODUCTION DATA:
KROTZ SPRINGS REFINERY**

	Year Ended December 31,					
	2012		2011		2010	
	bpd	%	bpd	%	bpd	%
Refinery throughput:						
WTI crude	20,111	29.6	—	—	—	—
Gulf Coast sweet crude	46,924	69.2	58,979	98.8	38,345	97.7
Blendstocks	842	1.2	741	1.2	899	2.3
Total refinery throughput (4)	<u>67,877</u>	<u>100.0</u>	<u>59,720</u>	<u>100.0</u>	<u>39,244</u>	<u>100.0</u>
Refinery production:						
Gasoline	29,081	42.4	24,852	41.4	15,812	40.1
Diesel/jet	28,466	41.4	27,436	45.6	18,986	48.2
Heavy Oils	2,709	3.9	2,904	4.8	1,515	3.8
Other	8,464	12.3	4,914	8.2	3,107	7.9
Total refinery production (5)	<u>68,720</u>	<u>100.0</u>	<u>60,106</u>	<u>100.0</u>	<u>39,420</u>	<u>100.0</u>
Refinery utilization (6)		80.7%		77.9%		46.1%

- (1) Net sales include intersegment sales to our asphalt and retail segments at prices which approximate wholesale market prices. These intersegment sales are eliminated through consolidation of our financial statements.
- (2) Refinery operating margin is a per barrel measurement calculated by dividing the margin between net sales and cost of sales (exclusive of substantial hedge positions and certain inventory adjustments) attributable to each refinery by the refinery's throughput volumes. Industry-wide refining results are driven and measured by the margins between refined product prices and the prices for crude oil, which are referred to as crack spreads. We compare our refinery operating margins to these crack spreads to assess our operating performance relative to other participants in our industry.

The refinery operating margin excludes realized losses on commodity swaps of \$84,084 for the year ended December 31, 2012. The refinery operating margins for the year ended December 31, 2012 also excludes approximately \$8,000 primarily from negative inventory effects.

The refinery operating margin for the year ended December 31, 2011 excludes approximately \$10,000 primarily from negative inventory effects.

The refinery operating margin for the year ended December 31, 2010 excludes an unrealized loss associated with consignment inventory of \$8,134, a benefit of \$4,515 to cost of sales for inventory adjustments related to the Bakersfield refinery acquisition and approximately \$14,000 primarily from negative inventory effects.

- (3) Refinery direct operating expense is a per barrel measurement calculated by dividing direct operating expenses at our Big Spring, California, and Krotz Springs refineries by the applicable refinery's total throughput volumes. Direct operating expenses of \$3,356 and \$3,373 for the years ended December 31, 2011 and 2010, respectively, related to the period prior to the start-up of the Bakersfield refinery have been excluded from the per barrel measurement calculation.
- (4) Total refinery throughput represents the total barrels per day of crude oil and blendstock inputs in the refinery production process. The throughput data of the California refineries for the years ended December 31, 2012 and 2011, reflects substantially eight months of throughput data as the California refineries were not in operation for the first quarter of 2012 and 2011 or December 2012 and 2011. The throughput data of the California refineries for the year ended December 31, 2010, reflects eleven months of throughput data as the California refineries were shutdown in December to redeploy resources for the integration of the Bakersfield refinery acquired in June 2010. The throughput data of the Krotz Springs refinery for the year ended December 31, 2011, reflects approximately a one month shutdown due to flooding in Louisiana and the impact on crude supply to the refinery and a two week shutdown in November for the tie-in of capital projects work. The throughput data of the Krotz Springs refinery for the year ended December 31, 2010, reflects substantially seven months of operations beginning in June 2010 due to the restart after major turnaround activity.
- (5) Total refinery production represents the barrels per day of various products produced from processing crude and other refinery feedstocks through the crude units and other conversion units at the refineries.
- (6) Refinery utilization represents average daily crude oil throughput divided by crude oil capacity, excluding planned periods of downtime for maintenance and turnarounds.

ASPHALT SEGMENT

	Year Ended December 31,		
	2012	2011	2010
	(dollars in thousands, except per ton data)		
STATEMENTS OF OPERATIONS DATA:			
Net sales	\$ 603,896	\$ 554,549	\$ 399,334
Operating costs and expenses:			
Cost of sales (1)	563,516	524,964	355,272
Direct operating expenses	34,517	42,648	44,095
Selling, general and administrative expenses	4,230	5,080	5,542
Depreciation and amortization	5,866	6,376	6,875
Total operating costs and expenses	<u>608,129</u>	<u>579,068</u>	<u>411,784</u>
Gain on disposition of assets	505	—	—
Operating loss	<u>\$ (3,728)</u>	<u>\$ (24,519)</u>	<u>\$ (12,450)</u>
KEY OPERATING STATISTICS:			
Blended asphalt sales volume (tons in thousands) (2)	842	915	780
Non-blended asphalt sales volume (tons in thousands) (3)	105	181	83
Blended asphalt sales price per ton (2)	\$ 589.63	\$ 541.44	\$ 477.26
Non-blended asphalt sales price per ton (3)	372.36	326.69	326.16
Asphalt margin per ton (4)	42.64	26.99	51.06
Capital expenditures	9,420	3,225	1,557

- (1) Cost of sales includes intersegment purchases of asphalt blends from our refining and marketing segment at prices which approximate wholesale market prices. These intersegment purchases are eliminated through consolidation of our financial statements.
- (2) Blended asphalt represents base asphalt that has been blended with other materials necessary to sell the asphalt as a finished product.
- (3) Non-blended asphalt represents base material asphalt and other components that require additional blending before being sold as a finished product.
- (4) Asphalt margin is a per ton measurement calculated by dividing the margin between net sales and cost of sales by the total sales volume. Asphalt margins are used in the asphalt industry to measure operating results related to asphalt sales.

RETAIL SEGMENT (A)

	Year Ended December 31,		
	2012	2011	2010
	(dollars in thousands, except per gallon data)		
STATEMENTS OF OPERATIONS DATA:			
Net sales (1)	\$ 907,918	\$ 833,470	\$ 666,398
Operating costs and expenses:			
Cost of sales (2)	770,394	701,597	550,225
Selling, general and administrative expenses	104,996	98,100	92,900
Depreciation and amortization	10,298	14,728	11,794
Total operating costs and expenses	<u>885,688</u>	<u>814,425</u>	<u>654,919</u>
Gain (loss) on disposition of assets	(312)	717	289
Operating income	<u>\$ 21,918</u>	<u>\$ 19,762</u>	<u>\$ 11,768</u>
KEY OPERATING STATISTICS:			
Number of stores (end of period)	298	302	304
Retail fuel sales (thousands of gallons)	170,848	156,662	142,155
Retail fuel sales (thousands of gallons per site per month) (4)	50	45	39
Retail fuel margin (cents per gallon) (5)	20.2	21.4	18.2
Retail fuel sales price (dollars per gallon) (6)	\$ 3.47	\$ 3.41	\$ 2.70
Merchandise sales	\$ 315,082	\$ 298,233	\$ 281,674
Merchandise sales (per site per month) (4)	\$ 88	\$ 82	\$ 77
Merchandise margin (7)	32.5%	32.8%	31.9%
Capital expenditures	\$ 14,141	\$ 15,838	\$ 3,496

(A) In the fourth quarter of 2012, based on a change in our internal reporting structure as a result of the Partnership's initial public offering, the branded marketing operations have been combined with the refining and marketing segment and are no longer included with the retail segment. Information for the branded marketing operations for the full year of 2012 is included in the refining and marketing segment. Information for the years ended December 31, 2011 and 2010 has been recast to provide a comparison to the current year results.

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- (1) Includes excise taxes on sales of \$66,563, \$60,686 and \$54,930 for the years ended December 31, 2012, 2011 and 2010, respectively.
- (2) Cost of sales includes intersegment purchases of motor fuels from our refining and marketing segment at prices which approximate wholesale market prices. These intersegment purchases are eliminated through consolidation of our financial statements.
- (3) At December 31, 2012, we had 298 retail convenience stores of which 286 sold fuel. At December 31, 2011, we had 302 retail convenience stores of which 290 sold fuel.
- (4) Retail fuel margin represents the difference between motor fuel sales revenue and the net cost of purchased motor fuel, including transportation costs and associated motor fuel taxes, expressed on a cents-per-gallon basis. Motor fuel margins are frequently used in the retail industry to measure operating results related to motor fuel sales.
- (5) Retail fuel sales price per gallon represents the average sales price for motor fuels sold through our retail convenience stores.
- (6) Merchandise margin represents the difference between merchandise sales revenues and the delivered cost of merchandise purchases, net of rebates and commissions, expressed as a percentage of merchandise sales revenues. Merchandise margins, also referred to as in-store margins, are commonly used in the retail convenience store industry to measure in-store, or non-fuel, operating results.

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

Net Sales

Consolidated. Net sales for the year ended December 31, 2012 were \$8,017.7 million, compared to \$7,186.3 million for the year ended December 31, 2011, an increase of \$831.4 million. This increase was primarily due to higher refinery throughput volumes in our refining and marketing segment, increased sales volumes in our retail segment and higher refined product prices.

Refining and Marketing Segment. Net sales for our refining and marketing segment were \$7,241.9 million for the year ended December 31, 2012, compared to \$6,558.6 million for the year ended December 31, 2011, an increase of \$683.3 million. This increase was due to higher refined product prices and higher refinery throughput in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Combined refinery throughput for the year ended December 31, 2012, averaged 154,700 bpd, consisting of 68,946 bpd at the Big Spring refinery, 17,877 bpd at the California refineries and 67,877 bpd at the Krotz Springs refinery, compared to a combined average throughput of 146,149 bpd for the year ended December 31, 2011, consisting of 63,614 bpd at the Big Spring refinery, 22,815 bpd at the California refineries and 59,720 bpd at the Krotz Springs refinery.

The increase in refined product prices that our refineries experienced reflected the price increases experienced in each refinery's respective markets. The average per gallon price of Gulf Coast gasoline for the year ended December 31, 2012, increased \$0.07, or 2.5%, to \$2.82, compared to \$2.75 for the year ended December 31, 2011. The average per gallon price of Gulf Coast ultra low-sulfur diesel for the year ended December 31, 2012, increased \$0.08, or 2.7%, to \$3.05, compared to \$2.97 for the year ended December 31, 2011. The average per gallon price for Gulf Coast high-sulfur diesel for the year ended December 31, 2012, increased \$0.08, or 2.7%, to \$2.99, compared to \$2.91 for the year ended December 31, 2011. The average per gallon price of West Coast LA CARBOB gasoline for the year ended December 31, 2012, increased \$0.14, or 4.8%, to \$3.03, compared to \$2.89 for the year ended December 31, 2011. The average price per gallon of West Coast LA ultra low-sulfur diesel for the year ended December 31, 2012, increased \$0.06, or 2.0%, to \$3.11, compared to \$3.05 for the year ended December 31, 2011.

Asphalt Segment. Net sales for our asphalt segment were \$603.9 million for the year ended December 31, 2012, compared to \$554.5 million for the year ended December 31, 2011, an increase of \$49.4 million or 8.9%. This increase was due primarily to higher asphalt sales price for our asphalt products, partially offset by a decrease in asphalt sales volumes for the year ended December 31, 2012. The average blended asphalt sales price increased 8.9% from \$541.44 per ton for the year ended December 31, 2011, to \$589.63 per ton for the year ended December 31, 2012, and the average non-blended asphalt sales price increased 14.0% from \$326.69 per ton for the year ended December 31, 2011, to \$372.36 per ton for the year ended December 31, 2012. The asphalt sales volume decreased 13.6% from 1,096 thousand tons for the year ended December 31, 2011, to 947 thousand tons for the year ended December 31, 2012.

Retail Segment. Net sales for our retail segment were \$907.9 million for the year ended December 31, 2012, compared to \$833.5 million for the year ended December 31, 2011, an increase of \$74.4 million or 8.9%. This increase was primarily attributable to increases in retail fuel sales prices and volumes and merchandise sales.

Cost of Sales

Consolidated. Cost of sales were \$7,117.4 million for the year ended December 31, 2012, compared to \$6,494.9 million for the year ended December 31, 2011, an increase of \$622.5 million. This increase was primarily due to higher refinery throughput volumes in our refining and marketing segment and increased sales volumes in our retail segment.

Refining and Marketing Segment. Cost of sales for our refining and marketing segment were \$6,519.5 million for the year ended December 31, 2012, compared to \$6,028.7 million for the year ended December 31, 2011, an increase of \$490.8 million. This increase was primarily due to increased refinery throughput with the cost of crude oil used by our refineries staying relatively flat. The average price of WTI decreased 1.0% from \$95.07 per barrel for the year ended December 31, 2011, to \$94.14 per barrel for the year ended December 31, 2012. The average price of Buena Vista crude increased 0.2% from \$108.43 per barrel for the year ended December 31, 2011, to \$108.62 per barrel for the year ended December 31, 2012. The average price of LLS crude increased 0.5% from \$110.98 per barrel for the year ended December 31, 2011, to \$111.53 per barrel for the year ended December 31, 2012.

Asphalt Segment. Cost of sales for our asphalt segment were \$563.5 million for the year ended December 31, 2012, compared to \$525.0 million for the year ended December 31, 2011, an increase of \$38.5 million or 7.3%. The increase was primarily due to higher crude oil costs and transportation costs for the year ended December 31, 2012 compared to the year ended December 31, 2011.

Retail Segment. Cost of sales for our retail segment were \$770.4 million for the year ended December 31, 2012, compared to \$701.6 million for the year ended December 31, 2011, an increase of \$68.8 million or 9.8%. This increase was primarily attributable to increases in retail fuel sales prices and volumes and merchandise costs.

Direct Operating Expenses

Consolidated. Direct operating expenses were \$313.2 million for the year ended December 31, 2012, compared to \$285.7 million for the year ended December 31, 2011, an increase of \$27.5 million or 9.6%.

Refining and Marketing Segment. Direct operating expenses for our refining and marketing segment for the year ended December 31, 2012 were \$278.7 million, compared to \$243.0 million for the year ended December 31, 2011, an increase of \$35.7 million or 14.7%. This increase is due primarily to increased refinery throughput.

Asphalt Segment. Direct operating expenses for our asphalt segment for the year ended December 31, 2012, were \$34.5 million, compared to \$42.6 million for the year ended December 31, 2011, a decrease of \$8.1 million or 19.0%. This decrease is primarily due to lower natural gas costs.

Selling, General and Administrative Expenses

Consolidated. SG&A expenses for the year ended December 31, 2012, were \$161.4 million, compared to \$143.1 million for the year ended December 31, 2011, an increase of \$18.3 million or 12.8%, primarily due to higher employee-related costs and higher advertising and marketing costs for the year ended December 31, 2012.

Refining and Marketing Segment. SG&A expenses for our refining and marketing segment for the year ended December 31, 2012, were \$51.2 million, compared to \$39.2 million for the year ended December 31, 2011, an increase of \$12.0 million or 30.6%. This increase was primarily due to higher employee-related costs in the year ended December 31, 2012.

Asphalt Segment. SG&A expenses for our asphalt segment for the year ended December 31, 2012, were \$4.2 million, compared to \$5.1 million for the year ended December 31, 2011, a decrease of \$0.9 million or 17.6%. This decrease is due primarily to lower employee-related costs for the year ended December 31, 2012.

Retail Segment. SG&A expenses for our retail segment for the year ended December 31, 2012, were \$105.0 million, compared to \$98.1 million for the year ended December 31, 2011, an increase of \$6.9 million or 7.0%. This increase was primarily attributable to higher advertising and marketing costs.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2012, was \$121.9 million, compared to \$113.7 million for the year ended December 31, 2011, an increase of \$8.2 million or 7.2%, due primarily to a full year of depreciation related to capital expenditures for the acquisition and integration of the Bakersfield refining assets which began operations in June 2011.

Operating Income (loss)

Consolidated. Operating income for the year ended December 31, 2012, was \$269.5 million, compared to \$181.5 million for the year ended December 31, 2011, an increase of \$88.0 million. This increase was primarily due to overall higher refinery margins and throughput, higher retail fuel sales volumes and margins and increased merchandise sales and margins.

Refining and Marketing Segment. Operating income for our refining and marketing segment was \$254.4 million for the year ended December 31, 2012, compared to \$189.0 million for the year ended December 31, 2011, an increase of \$65.4 million. This increase was primarily due to overall higher refining margins and increased refinery throughput.

Refinery operating margin at the Big Spring refinery was \$23.50 per barrel for the year ended December 31, 2012, compared to \$20.89 per barrel for the year ended December 31, 2011. This increase is primarily due to higher Gulf Coast 3/2/1 crack spreads. The average Gulf Coast 3/2/1 crack spread increased 17.4% to \$27.43 per barrel for the year ended December 31, 2012, compared to \$23.37 per barrel for the year ended December 31, 2011. Refinery operating margin at the California refineries was \$2.36 per barrel for the year ended December 31, 2012, compared to \$(1.31) per barrel for the year ended December 31, 2011. This increase is primarily due to higher West Coast 3/1/1/1 crack spreads. The average West Coast 3/1/1/1 crack spreads increased 42.2% to \$13.08 per barrel for the year ended December 31, 2012, compared to \$9.20 per barrel for the year ended December 31, 2011. The Krotz Springs refinery operating margin for the year ended December 31, 2012, was \$8.30 per barrel, compared to \$3.05 per barrel for the year ended December 31, 2011. The average Gulf Coast 2/1/1 high sulfur diesel crack spread for the year ended December 31, 2012 was \$11.29 per barrel, compared to \$7.00 per barrel for the year ended December 31, 2011.

Asphalt Segment. Operating loss for our asphalt segment was \$3.7 million for the year ended December 31, 2012, compared to \$24.5 million for the year ended December 31, 2011, a decrease of \$20.8 million or 84.9%. This decrease in loss

was primarily due to the increase in asphalt sales margins resulting from the greater increase in asphalt sales prices relative to the change in crude oil prices.

Retail Segment. Operating income for our retail segment was \$21.9 million for the year ended December 31, 2012, compared to \$19.8 million for the year ended December 31, 2011, an increase of \$2.1 million. This increase was primarily due to higher retail fuel sales volumes and margins and higher merchandise sales and margins.

Interest Expense

Interest expense was \$129.6 million for the year ended December 31, 2012, compared to \$88.3 million for the year ended December 31, 2011, an increase of \$41.3 million, or 46.8%. This increase is primarily due to a charge of \$9,624 for the write-off of unamortized original issuance discount associated with our repayment of the Alon Brands Term Loan and charges of \$18,750 and \$8,826 for the write-off of unamortized original issuance discount and unamortized debt issuance costs associated with the repayment of the Alon USA Energy, Inc. term loans, respectively, for the year ended December 31, 2012.

Income Tax Expense

Income tax expense was \$49.9 million for the year ended December 31, 2012, compared to \$18.9 million for the year ended December 31, 2011. This increase resulted from our higher pre-tax income for the year ended December 31, 2012, compared to the year ended December 31, 2011, and an increase in the effective tax rate. Our effective tax rate was 35.5% for the year ended December 31, 2012, compared to an effective tax rate of 30.2% for the year ended December 31, 2011.

Net Income Attributable to Non-controlling Interest

Net income attributable to non-controlling interest was \$11.5 million for the year ended December 31, 2012, compared to \$1.2 million for the year ended December 31, 2011, an increase of \$10.3 million primarily due to its proportional share of the higher after-tax income in 2012. Net income attributable to non-controlling interest for the year ended December 31, 2012 reflects the increase in ownership of outside entities as a result of the 11,500,000 limited partnership units sold in conjunction with the Partnership's initial public offering.

Net Income Available to Stockholders

Net income available to stockholders was \$79.1 million for the year ended December 31, 2012, compared to \$42.5 million for the year ended December 31, 2011, an increase of \$36.6 million. This increase was attributable to the factors discussed above.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Sales

Consolidated. Net sales for the year ended December 31, 2011 were \$7,186.3 million, compared to \$4,030.7 million for the year ended December 31, 2010, an increase of \$3,155.6 million or 78.3%. This increase was primarily due to higher refinery throughput volumes in our refining and marketing segment, increased sales volumes in our asphalt and retail segments and higher refined product prices.

Refining and Marketing Segment. Net sales for our refining and marketing segment were \$6,558.6 million for the year ended December 31, 2011, compared to \$3,469.9 million for the year ended December 31, 2010, an increase of \$3,088.7 million or 89.0%. This increase was primarily due to higher refined product prices and higher refinery throughput in the year ended December 31, 2011.

Combined refinery throughput for the year ended December 31, 2011 averaged 146,149 bpd, consisting of 63,614 bpd at the Big Spring refinery, 22,815 bpd at the California refineries, and 59,720 bpd at the Krotz Springs refinery compared to average total refinery throughput for the year ended December 31, 2010 of 105,868 bpd, consisting of 49,028 bpd at the Big Spring refinery, 17,596 bpd at the California refineries and 39,244 at the Krotz Springs refinery.

The increase in refined product prices that our refineries experienced reflected the price increases experienced in each refinery's respective markets. The average per gallon price of Gulf Coast gasoline for the year ended December 31, 2011 increased \$0.70, or 34.1%, to \$2.75, compared to \$2.05 for the year ended December 31, 2010. The average per gallon price of Gulf Coast ultra-low sulfur diesel for the year ended December 31, 2011 increased \$0.81, or 37.5%, to \$2.97, compared to \$2.16 for the year ended December 31, 2010. The average per gallon price for Gulf Coast high-sulfur diesel for the year ended December 31, 2011, increased \$0.81, or 38.6%, to \$2.91, compared to \$2.10 for the year ended December 31, 2010. The average per gallon price of West Coast LA CARBOB gasoline for the year ended December 31, 2011 increased \$0.68, or 30.8%, to \$2.89, compared to \$2.21 for the year ended December 31, 2010. The average price per gallon of West Coast LA

ultra-low sulfur diesel for the year ended December 31, 2011 increased \$0.84, or 38.0%, to \$3.05, compared to \$2.21 for the year ended December 31, 2010.

Asphalt Segment. Net sales for our asphalt segment were \$554.5 million for the year ended December 31, 2011, compared to \$399.3 million for the year ended December 31, 2010, an increase of \$155.2 million or 38.9%. This increase was due primarily to an increase in asphalt sales volumes and higher asphalt sales price for our blended asphalt product for the year ended December 31, 2011. The asphalt sales volumes increased 27.0%, from 863 thousand tons for the year ended December 31, 2010 to 1,096 thousand tons for the year ended December 31, 2011. The average blended asphalt sales price increased 13.4% from \$477.26 per ton for the year ended December 31, 2010 to \$541.44 per ton for the year ended December 31, 2011 and the average non-blended asphalt sales price increased 0.2% from \$326.16 per ton for the year ended December 31, 2010 to \$326.69 per ton for the year ended December 31, 2011.

Retail Segment. Net sales for our retail segment were \$833.5 million for the year ended December 31, 2011, compared to \$666.4 million for the year ended December 31, 2010, an increase of \$167.1 million or 25.1%. This increase was attributable to increases in retail fuel sales prices and volumes and merchandise sales.

Cost of Sales

Consolidated. Cost of sales were \$6,494.9 million for the year ended December 31, 2011, compared to \$3,712.4 million for the year ended December 31, 2010, an increase of \$2,782.5 million. This increase was primarily due to higher refinery throughput volumes in our refining and marketing segment, increased sales volumes in our asphalt and retail segments and higher crude oil prices.

Refining and Marketing Segment. Cost of sales for our refining and marketing segment were \$6,028.7 million for the year ended December 31, 2011, compared to \$3,311.8 million for the year ended December 31, 2010, an increase of \$2,716.9 million. This increase was primarily due to increased refinery throughput as well as an increase in the cost of crude oil used by our refineries. The average price of WTI per barrel for the year ended December 31, 2011 increased 19.7% from \$79.41 per barrel for the year ended December 31, 2010 to \$95.07 per barrel for the year ended December 31, 2011. The average price of Buena Vista crude increased 38.9% from \$78.08 per barrel for the year ended December 31, 2010, to \$108.43 per barrel for the year ended December 31, 2011. The average price of LLS crude increased 37.7% from \$80.61 per barrel for the year ended December 31, 2010, to \$110.98 per barrel for the year ended December 31, 2011.

Asphalt Segment. Cost of sales for our asphalt segment were \$525.0 million for the year ended December 31, 2011, compared to \$355.3 million for the year ended December 31, 2010, an increase of \$169.7 million or 47.8%. This increase was due to higher asphalt sales volumes and higher crude oil costs for the year ended December 31, 2011 compared to the year ended December 31, 2010.

Retail Segment. Cost of sales for our retail segment was \$701.6 million for the year ended December 31, 2011, compared to \$550.2 million for the year ended December 31, 2010, an increase of \$151.4 million or 27.5%. This increase was primarily attributable to increases in retail fuel sales prices and volumes and merchandise costs for the year ended December 31, 2011.

Direct Operating Expenses

Consolidated. Direct operating expenses were \$285.7 million for the year ended December 31, 2011, compared to \$249.9 million for the year ended December 31, 2010, an increase of \$35.8 million or 14.3%.

Refining and Marketing Segment. Direct operating expenses for our refining and marketing segment for the year ended December 31, 2011 were \$243.0 million, compared to \$205.8 million for the year ended December 31, 2010, an increase of \$37.2 million or 18.1%. This increase was primarily due to expenses associated with the startup of operations at our Bakersfield refinery and increased refinery throughput.

Asphalt Segment. Direct operating expenses for our asphalt segment were \$42.6 million for the year ended December 31, 2011, compared to \$44.1 million for the year ended December 31, 2010, a decrease of \$1.5 million or 3.4%. This decrease was primarily due to lower natural gas costs.

Selling, General and Administrative Expenses

Consolidated. SG&A expenses for the year ended December 31, 2011 were \$143.1 million, compared to \$128.1 million for the year ended December 31, 2010, an increase of \$15.0 million or 11.7%, primarily due to higher employee-related costs and higher advertising and marketing costs for the year ended December 31, 2011.

Refining and Marketing Segment. SG&A expenses for our refining and marketing segment for the year ended December 31, 2011 were \$39.2 million, compared to \$28.9 million for the year ended December 31, 2010, an increase of \$10.3

million or 35.6%. This increase was primarily due to higher employee-related costs in the year ended December 31, 2011, and \$3.5 million related to net bad debt recoveries and insurance premium refunds in the year ended December 31, 2010.

Asphalt Segment. SG&A expenses for our asphalt segment for the year ended December 31, 2011 were \$5.1 million, compared to \$5.5 million for the year ended December 31, 2010, a decrease of \$0.4 million or 7.3%. This decrease was primarily due to lower employee-related costs for the year ended December 31, 2011.

Retail Segment. SG&A expenses for our retail segment for the year ended December 31, 2011 were \$98.1 million, compared to \$92.9 million for the year ended December 31, 2010, an increase of \$5.2 million or 5.6%. This increase was primarily attributable to higher advertising and marketing costs.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2011 was \$113.7 million, compared to \$102.1 million for the year ended December 31, 2010, an increase of \$11.6 million or 11.4% due primarily to capital expenditures for the acquisition and integration of the Bakersfield refining assets which began operations in June 2011. Also, depreciation and amortization for the year ended December 31, 2011 includes a full year of amortization of turnaround costs related to the 2010 Krotz Springs turnaround and restart in June 2010, and the write-off of deferred costs for our retail segment.

Operating Income (Loss)

Consolidated. Operating income for the year ended December 31, 2011 was \$181.5 million, compared to an operating loss of \$160.8 million for the year ended December 31, 2010, an increase of \$342.3 million. This increase was primarily due to overall higher refinery margins and throughput, higher retail fuel sales volumes and margins and increased merchandise sales and margins.

Refining and Marketing Segment. Operating income for our refining and marketing segment was \$189.0 million for the year ended December 31, 2011, compared to an operating loss of \$158.0 million for the year ended December 31, 2010, an increase of \$347.0 million. This increase was primarily due to overall higher refining margins and increased refinery throughput.

Refinery operating margin at the Big Spring refinery was \$20.89 per barrel for the year ended December 31, 2011 compared to \$7.64 per barrel for the year ended December 31, 2010. The increase is primarily due to higher Gulf Coast 3/2/1 crack spreads. The average Gulf Coast 3/2/1 crack spread increased 184.3% to \$23.37 per barrel for the year ended December 31, 2011, compared to \$8.22 per barrel for the year ended December 31, 2010. Refinery operating margin at the California refineries was \$(1.31) per barrel for the year ended December 31, 2011, compared to \$1.08 per barrel for the year ended December 31, 2010. This decrease reflects the impact of the California refineries' shutdown until its restart in late March 2011, offset by higher West Coast 3/1/1/1 crack spreads. The average West Coast 3/1/1/1 crack spreads increased 10.3% to \$9.20 per barrel for the year ended December 31, 2011, compared to \$8.34 per barrel for the year ended December 31, 2010. The Krotz Springs refinery operating margin for the year ended December 31, 2011, was \$3.05 per barrel, compared to \$2.24 per barrel for the year ended December 31, 2010. The Krotz Springs refinery restarted operations in June 2010 after being down for the first five months of 2010 for a major turnaround. Additionally, the average Gulf Coast 2/1/1 high sulfur diesel crack spread for the year ended December 31, 2011 was \$7.00 per barrel, compared to \$5.26 per barrel for the year ended December 31, 2010.

Asphalt Segment. Operating loss for our asphalt segment was \$24.5 million for the year ended December 31, 2011, compared to \$12.5 million for the year ended December 31, 2010, an increase in loss of \$12.0 million. This increase in loss was primarily due to the decrease in asphalt sales margins resulting from the greater increase in crude oil prices relative to the increase in our asphalt sales prices.

Retail Segment. Operating income for our retail segment was \$19.8 million for the year ended December 31, 2011, compared to \$11.8 million for the year ended December 31, 2010, an increase of \$8.0 million. This increase was primarily due to higher retail fuel sales volumes and margins and higher merchandise sales and margins.

Interest Expense

Interest expense was \$88.3 million for the year ended December 31, 2011, compared to \$94.9 million for the year ended December 31, 2010, a decrease of \$6.6 million or 7.0%. This decrease is primarily due to a charge of \$6.7 million for the write-off of debt issuance costs associated with our prepayment of the Alon Refining Krotz Springs, Inc. revolving credit facility for the year ended December 31, 2010.

Gain from Bargain Purchase

In connection with the Bakersfield refinery acquisition in June 2010, the acquisition date fair value of the identifiable net assets acquired exceeded the fair value of the consideration transferred, resulting in a \$17.5 million bargain purchase gain for the year ended December 31, 2010.

Income Tax Expense (Benefit)

Income tax expense was \$18.9 million for the year ended December 31, 2011, compared to a benefit of \$90.5 million for the year ended December 31, 2010, an increase of \$109.4 million. This increase resulted from our higher pre-tax income for the year ended December 31, 2011, compared to the year ended December 31, 2010, and a decrease in the effective tax rate. Our effective tax rate was 30.2% for the year ended December 31, 2011, compared to an effective tax rate of 37.6% for the year ended December 31, 2010. The lower effective tax rate for the year ended December 31, 2011, was due primarily to benefits arising from carry-back claims on prior year income taxes.

Net Income (Loss) Attributable to Non-controlling Interest

Net income (loss) attributable to non-controlling interest was \$1.2 million for the year ended December 31, 2011, compared to \$(9.6) million for the year ended December 31, 2010, an increase of \$10.8 million primarily due to its proportional share of the higher after-tax income in 2011.

Net Income (Loss) Available to Stockholders

Net income (loss) available to stockholders was \$42.5 million for the year ended December 31, 2011, compared to \$(122.9) million for the year ended December 31, 2010, an increase of \$165.4 million. This increase was attributable to the factors discussed above.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash generated from our operating activities, borrowings under our revolving credit facilities, inventory supply and offtake arrangements, other credit lines and advances from affiliates.

We have agreements with J. Aron for the supply of crude oil that will support the operations of the Big Spring refinery, the Krotz Springs refinery and the California refineries. These agreements substantially reduce our need to issue letters of credit to support crude oil purchases. In addition, the structure allows us to acquire crude oil without the constraints of a maximum facility size during periods of high crude oil prices.

We believe that the aforementioned sources of funds and other sources of capital available to us will be sufficient to satisfy the anticipated cash requirements associated with our business during the next 12 months. Our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control.

Depending upon conditions in the capital markets and other factors, we will from time to time consider the issuance of debt or equity securities, or other possible capital markets transactions, the proceeds of which could be used to refinance current indebtedness, extend or replace existing revolving credit facilities or for other corporate purposes.

Cash Flows

The following table sets forth our consolidated cash flows for the years ended December 31, 2012, 2011 and 2010:

	Year Ended December 31,		
	2012	2011	2010
	(dollars in thousands)		
Cash provided by (used in):			
Operating activities	\$ 387,810	\$ 69,560	\$ 21,330
Investing activities	(104,980)	(126,542)	(40,925)
Financing activities	(323,600)	142,361	50,845
Net increase (decrease) in cash and cash equivalents	\$ (40,770)	\$ 85,379	\$ 31,250

Cash Flows Provided by Operating Activities

Net cash provided by operating activities for the year ended December 31, 2012, was \$387.8 million, compared to \$69.6 million for the year ended December 31, 2011. The change in cash provided by operating activities of \$318.3 million is primarily attributable to the increase of approximately \$184.7 million in net income, adjusted for non-cash adjustments such as deferred income tax expense, commodity swaps, write-off of unamortized original issuance discount and debt issuance costs and depreciation, during the year ended December 31, 2012 compared to 2011 and also a change in accounts and other receivables, net of \$125.3 million in 2012.

Net cash provided by operating activities for the year ended December 31, 2011 was \$69.6 million, compared to \$21.3 million for the year ended December 31, 2010. The change in cash provided by operating activities of \$48.2 million is primarily attributable to the increase of approximately \$317.7 million in net income, adjusted for non-cash adjustments such as deferred income tax expense, bargain purchase gain, gain on the disposition of assets and depreciation, during the year ended December 31, 2011 compared to 2010. These non-cash adjustments were offset primarily by a decrease of inventory of \$91.3 million in 2010 compared to an increase in inventory of \$7.4 million in 2011 which was mainly due to the integration of the Bakersfield hydrocracker unit and an increase in accounts receivable of \$114.7 million due to higher refinery throughput during the year ended December 31, 2011 compared to 2010. Additionally, 2010 included \$56.7 million of income tax refunds compared to \$5.6 million, net received in 2011.

Cash Flows Used In Investing Activities

Net cash used in investing activities was \$105.0 million for the year ended December 31, 2012, compared to \$126.5 million for the year ended December 31, 2011. The change in net cash used in investing activities of \$21.6 million was principally due to a decrease in capital expenditures of \$17.0 million for the year ended December 31, 2012 and also earnout payments of \$6.5 million related to the Krotz Springs refinery acquisition made during the year ended December 31, 2011.

Net cash used in investing activities was \$126.5 million for the year ended December 31, 2011 compared to \$40.9 million for the year ended December 31, 2010. The change in net cash used in investing activities of \$85.6 million was principally due to an increase in capital expenditures of \$65.9 million in the year ended December 31, 2011, which primarily related to the integration of the Bakersfield hydrocracker unit, and a decrease in proceeds from the disposition of assets of \$19.6 million, as compared to the year ended December 31, 2010.

Cash Flows Provided by (Used In) Financing Activities

Net cash provided by (used in) financing activities was \$(323.6) million during the year ended December 31, 2012, compared to \$142.4 million during the year ended December 31, 2011. The change in net cash provided by (used in) financing activities of \$466.0 million is primarily attributable to payments on debt, net, of \$481.6 million for the year ended December 31, 2012 compared to borrowings of debt, net, of \$139.4 million for the year ended December 31, 2011. This was partially offset by contributions received from the Partnership's initial public offering, net of fees, of \$167.8 million during the year ended December 31, 2012 compared to proceeds from the sale of Alon's common stock of \$11.9 million during the year ended December 31, 2011.

Net cash provided by (used in) financing activities was \$50.8 million for the year ended December 31, 2010 compared to (\$122.5) million for the year ended December 31, 2009. The change in net cash used in financing activities of \$173.4 million was primarily attributable to the proceeds received from the sale of preferred stock of \$40.0 million, cash received from the inventory supply agreement of \$45.8 million during the year ended December 31, 2010, compared to cash received from an inventory supply agreement of \$20.2 million during the year ended December 31, 2009, as well as an overall decrease in payments made on long-term debt and debt issuance costs during the year ended December 31, 2010.

Cash and Cash Equivalents

We consider all highly-liquid instruments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

As of December 31, 2012, our total cash and cash equivalents were \$116.3 million and we had total debt of \$587.0 million.

Indebtedness

Alon USA Energy, Inc. Credit Facilities

2006 Term Loan Credit Facility. In June 2006, we entered into a \$450.0 million term loan ("2006 Term Loan"). The 2006 Term Loan required principal repayments of \$4.5 million per annum paid in quarterly installments until maturity in August 2013. In November 2012, we repaid in full our obligations under the 2006 Term Loan. As a result of the repayment of the

2006 Term Loan, a write-off of unamortized debt issuance costs of \$1.5 million is included in interest expense in the consolidated statements of operations for the year ended December 31, 2012.

At December 31, 2011, the 2006 Term Loan had an outstanding balance of \$425.3 million.

Alon USA Term Loan Credit Facility. In November 2012, we entered into a term loan (“Alon USA Term Loan”) with an aggregate principal amount of \$450.0 million, issued at an offering price of 95%, that will mature in November 2018. Proceeds from the Alon USA Term Loan were used to repay in full our obligations under the 2006 Term Loan and for general corporate purposes.

In connection with the closing of the Partnership's initial public offering in November 2012 (the "Offering"), we assigned \$250.0 million of the aggregate principal balance of the Alon USA Term Loan to the Partnership.

We used primarily proceeds from the Offering to fully repay the remaining outstanding balance of the Alon USA Term Loan.

As a result of the prepayment of the Alon USA Term Loan, write-offs of unamortized original issuance discount and debt issuance costs of \$18.8 million and \$7.4 million, respectively, are included in interest expense in the consolidated statements of operations for the year ended December 31, 2012.

Letter of Credit Facility. In March 2010, we entered into an unsecured credit facility with Israel Discount Bank of New York (the “Alon Energy Letter of Credit Facility”) for the issuance of letters of credit in an amount not to exceed \$60.0 million and with a sub-limit for borrowings not to exceed \$30.0 million. This facility will terminate in March 2013. The Alon Energy Letter of Credit Facility contains certain restrictive covenants including maintenance financial covenants. Borrowings under this facility bear interest at the Eurodollar rate plus 3.00% per annum subject to an overall minimum interest rate of 4.00%. At December 31, 2012 and 2011, we had \$59.5 million and \$47.6 million, respectively, of outstanding letters of credit under this facility.

Alon USA Partners, LP Credit Facility

Partnership Term Loan Credit Facility. In connection with the Offering, the Partnership was assigned \$250.0 million of the aggregate principal balance of the Alon USA Term Loan (the “Partnership Term Loan”). The Partnership Term Loan requires principal payments of \$2.5 million per annum paid in quarterly installments until maturity in November 2018.

Borrowings under the Partnership Term Loan bear interest at a rate equal to the sum of (i) the Eurodollar rate (with a floor of 1.25% per annum) plus (ii) a margin of approximately 8.00% per annum for a per annum rate of approximately 9.25%, based on current market rates at December 31, 2012.

The Partnership Term Loan is secured by a first priority lien on all of the Partnership’s fixed assets and other specified property, as well as on the general partner interest in the Partnership held by the General Partner, and a second lien on the Partnership’s cash, accounts receivables, inventories and related assets.

The Partnership Term Loan contains restrictive covenants, such as restrictions on liens, mergers, consolidations, sales of assets, additional indebtedness, different businesses, certain lease obligations and certain restricted payments. The Partnership Term Loan does not contain any maintenance financial covenants.

At December 31, 2012, the Partnership Term Loan had an outstanding balance (net of unamortized discount) of \$246.3 million.

Revolving Credit Facility. We have a \$240.0 million revolving credit facility (the “Alon USA LP Credit Facility”) that will mature in March 2016. The Alon USA LP Credit Facility can be used both for borrowings and the issuance of letters of credit subject to a limit of the lesser of the facility amount or the borrowing base amount under the facility.

Borrowings under the Alon USA LP Credit Facility bear interest at the Eurodollar rate plus 3.50% per annum subject to an overall minimum interest rate of 4.00%.

The Alon USA LP Credit Facility is secured by (i) a first lien on our cash, accounts receivables, inventories and related assets and (ii) a second lien on fixed assets and other specified property, in each case, excluding those of Alon Paramount Holdings, Inc. (“Alon Holdings”) and its subsidiaries other than Alon Pipeline Logistics, LLC (“Alon Logistics”), the subsidiaries established in conjunction with the Krotz Springs refinery acquisition, the subsidiaries established in conjunction with the Bakersfield refinery acquisition and our retail subsidiaries.

The Alon USA LP Credit Facility contains certain restrictive covenants including maintenance financial covenants.

Borrowings of \$49.0 million and \$200.0 million were outstanding under the Alon USA LP Credit Facility at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, outstanding letters of credit under the Alon USA LP Credit Facility were \$58.8 million and \$35.5 million, respectively.

Paramount Petroleum Corporation Credit Facility

Revolving Credit Facility. Paramount Petroleum Corporation has a \$300.0 million revolving credit facility. In February 2012, we repaid in full our obligations under the revolving credit facility.

At December 31, 2011, borrowings of \$108.3 million and letters of credit of \$18.0 million were outstanding under the revolving credit facility.

Alon Refining Krotz Springs, Inc. Credit Facilities

Senior Secured Notes. In October 2009, Alon Refining Krotz Springs, Inc. ("ARKS") issued 13.50% senior secured notes (the "Senior Secured Notes") in aggregate principal amount of \$216.5 million in a private offering. In February 2010, ARKS exchanged \$216.5 million of Senior Secured Notes for an equivalent amount of Senior Secured Notes ("Exchange Notes") registered under the Securities Act of 1933. The Exchange Notes will mature in October 2014 and the entire principal amount is due at maturity. Interest is payable semi-annually in arrears on April 15 and October 15. The Exchange Notes are substantially identical to the Senior Secured Notes, except that the Exchange Notes have been registered with the Securities and Exchange Commission and are not subject to transfer restrictions. The Senior Secured Notes were issued at an offering price of 94.857% and ARKS received gross proceeds of \$205.4 million (before fees and expenses related to the offering). ARKS used the proceeds to repay in full all outstanding obligations under its term loan at that time. The remaining proceeds from the offering were used for general corporate purposes.

The terms of the Senior Secured Notes are governed by an indenture (the "Indenture") and the obligations under the Indenture are secured by a first priority lien on ARKS' property, plant and equipment and a second priority lien on ARKS' cash, accounts receivable and inventory.

The Indenture contains restrictive covenants such as restrictions on loans, mergers, sales of assets, additional indebtedness and restricted payments. The Indenture does not contain any maintenance financial covenants.

At December 31, 2012 and 2011, the Senior Secured Notes had an outstanding balance (net of unamortized discount) of \$211.6 million and \$209.3 million, respectively. ARKS is utilizing the effective interest method to amortize the original issue discount over the life of the Senior Secured Notes.

Retail Credit Facilities

Alon Brands Term Loans. In March 2011, Alon Brands issued \$30.0 million five-year unsecured notes (the "Alon Brands Term Loans") to a group of investors including certain shareholders of Alon Israel and their affiliates. In conjunction with the issuance of the Alon Brands Term Loans, we issued 3,092,783 warrants to purchase shares of our common stock. The allocated fair value of the warrants was \$11.0 million and was recorded as additional paid-in capital at the time of issuance.

In March 2012, we issued \$30.0 million of 8.5% Series B Convertible Preferred Stock to the holders of the Alon Brands Term Loans and repaid in full our obligations under the Alon Brands Term Loans. Also as part of the transaction, the warrants issued in conjunction with the Alon Brands Term Loans were surrendered to us. As the Alon Brands Term Loans were originally issued at a discount, the remaining \$9.6 million of unamortized original issuance discount was charged to interest expense in the consolidated statements of operations for the year ended December 31, 2012.

At December 31, 2011, the Alon Brands Term Loans had an outstanding balance (net of unamortized discount) of \$20.1 million.

Term Credit Agreement. Southwest Convenience Stores, LLC ("SCS") is party to a credit agreement (the "SCS Credit Agreement") that, as amended, matures in December 2015. In December 2010, SCS entered into an amendment to the SCS Credit Agreement, which increased the amount outstanding from \$73.4 million ("SCS Refinancing Term Loan") by \$10.0 million ("SCS Additional Term Loan") and also included a revolving credit loan ("SCS Revolving Credit Loan") with a maximum loan amount of the lesser of the borrowing base or \$10.0 million.

Borrowings under the SCS Refinancing Term Loan bear interest at a Eurodollar rate plus 2.00% per annum with principal payments made in quarterly installments based on a 15-year amortization schedule. Borrowings under the SCS Additional Term Loan bear interest at a Eurodollar rate plus 2.75% per annum with principal payments made in quarterly installments based on a 5-year amortization schedule. Borrowings under the SCS Revolving Credit Loan bear interest at a Eurodollar rate plus 2.75% per annum.

The obligations under the SCS Credit Agreement are secured by a pledge of substantially all of the assets of SCS and Skinny's, LLC and each of their subsidiaries, including cash, accounts receivable and inventory. The SCS Credit Agreement contains certain restrictive covenants including maintenance financial covenants.

At December 31, 2012 and 2011, the SCS Credit Agreement had an outstanding balance under the term loans of \$69.6 million and \$76.5 million, respectively. At December 31, 2012 and 2011, the SCS Revolving Credit Loan had an outstanding balance of \$10.0 million and \$10.0 million, respectively.

Other Retail Related Credit Facilities

In 2003, we obtained \$1.5 million in mortgage loans to finance the acquisition of new retail locations. The interest rates on these loans ranged between 5.5% and 9.7%, with 5 to 15 year payment terms. At December 31, 2012 and 2011, the outstanding balances were \$0.6 million and \$0.7 million, respectively.

Financial Covenants. We have certain credit facilities that contain restrictive covenants, including maintenance financial covenants. At December 31, 2012, we were in compliance with these covenants.

Capital Spending

Each year our Board of Directors approves capital projects, including regulatory and planned turnaround projects that our management is authorized to undertake in our annual capital budget. Additionally, at times when conditions warrant or as new opportunities arise, other projects or the expansion of existing projects may be approved. Our total capital expenditure budget, including expenditures for chemical catalyst and turnarounds, for 2013 is \$149.8 million.

The following table summarizes our expected capital expenditures for 2013 by operating segment and major category:

	2013 (dollars in thousands)
Refining and Marketing Segment:	
Sustaining maintenance	\$ 47,960
Growth/profit improvement/other	44,888
Chemical catalyst and turnaround	18,351
Total	111,199
Asphalt Segment:	
Sustaining maintenance	6,021
Growth/profit improvement	9,800
Total	15,821
Retail Segment:	
Sustaining maintenance	4,457
Growth/profit improvement	11,770
Total	16,227
Corporate Segment:	
Sustaining	6,508
Total Capital Expenditures	\$ 149,755

Contractual Obligations and Commercial Commitments

Information regarding our known contractual obligations of the types described below as of December 31, 2012 is set forth in the following table:

Contractual Obligations	Payments Due by Period				Total
	Less than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years	
	(dollars in thousands)				
Long-term debt obligations	\$ 9,504	\$ 289,422	\$ 54,136	\$ 233,955	\$ 587,017
Operating lease obligations	23,693	39,704	31,016	44,872	139,285
Pipelines and Terminals Agreement (1)	34,015	70,072	69,793	87,132	261,012
Other commitments (2)	3,741	7,482	7,482	15,898	34,603
Total obligations	\$ 70,953	\$ 406,680	\$ 162,427	\$ 381,857	\$ 1,021,917

- (1) Balances represent the minimum committed volume multiplied by the tariff and terminal rates pursuant to the terms of the Pipelines and Terminals Agreement with HEP, as well as our minimum requirements with Sunoco.
- (2) Other commitments include refinery maintenance services costs.

As of December 31, 2012, we did not have any material capital lease obligations or any agreements to purchase goods or services, other than those included in the table above, that were binding on us.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Critical Accounting Policies

Our accounting policies are described in the notes to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. We prepare our consolidated financial statements in conformity with GAAP. In order to apply these principles, we must make judgments, assumptions and estimates based on the best available information at the time. Actual results may differ based on the accuracy of the information utilized and subsequent events, some of which we may have little or no control over. Our critical accounting policies, which are discussed below, could materially affect the amounts recorded in our consolidated financial statements.

Inventory. Crude oil, refined products and blendstocks for the refining and marketing segment and asphalt for the asphalt segment are priced at the lower of cost or market value. Cost is determined using the LIFO valuation method. Under the LIFO valuation method, we charge the most recent acquisition costs to cost of sales, and we value inventories at the earliest acquisition costs. We selected this method because we believe it more accurately reflects the cost of our current sales. If the market value of inventory is less than the inventory cost on a LIFO basis, then the inventory is written down to market value. An inventory write-down to market value results in a non-cash accounting adjustment, decreasing the value of our crude oil and refined products inventory and increasing our cost of sales. A reduction of inventory volumes during 2012, 2011 and 2010 resulted in a liquidation of LIFO inventory layers carried at lower costs which prevailed in previous years. The liquidation decreased cost of sales by approximately \$13.6 million in 2012, \$59.3 million in 2011 and \$18.6 million in 2010. Market values of crude oil, refined products, asphalt and blendstock inventories exceeded LIFO costs by \$58.2 million and \$93.4 million at December 31, 2012 and 2011, respectively.

Environmental and Other Loss Contingencies. We record liabilities for loss contingencies, including environmental remediation costs, when such losses are probable and can be reasonably estimated. Our environmental liabilities represent the estimated cost to investigate and remediate contamination at our properties. Our estimates are based upon internal and third-party assessments of contamination, available remediation technology and environmental regulations. Accruals for estimated liabilities from projected environmental remediation obligations are recognized no later than the completion of the remedial feasibility study. These accruals are adjusted as further information develops or circumstances change. We do not discount environmental liabilities to their present value unless payments are fixed and determinable. At December 31, 2012, for those payments we considered fixed and determinable, payments were discounted at a 4% rate. We record them without considering potential recoveries from third parties. Recoveries of environmental remediation costs from third parties are recorded as assets when receipt is deemed probable. We update our estimates to reflect changes in factual information, available technology or applicable laws and regulations.

Turnarounds and Chemical Catalyst Costs. We record the cost of planned major refinery maintenance, referred to as turnarounds, and chemical catalyst used in the refinery process units, which are typically replaced in conjunction with planned turnarounds, in "Other assets" in our consolidated financial statements. Turnaround and catalyst costs are currently deferred and amortized on a straight-line basis beginning the month after the completion of the turnaround and ending immediately prior to the next scheduled turnaround. The amortization of deferred turnaround and chemical catalysts costs are presented in "Depreciation and amortization" in our consolidated financial statements.

Impairment of Long-Lived Assets. We account for impairment of long-lived assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 360-10, Property, Plant, and Equipment. In evaluating our assets, long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of an asset to future net cash flows expected to be generated by the asset. If the carrying value of an asset exceeds its expected future cash flows, an impairment loss is recognized based on the excess of the carrying value of the impaired asset over its fair value. These future cash flows and fair values are estimates based on our judgment and assumptions. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs of disposition.

Deferred Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Asset Retirement Obligations. We use ASC Subtopic 410-20, Asset Retirement Obligations, which established accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement costs. The provisions of ASC Subtopic 410-20 apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset. ASC Subtopic 410-20 also requires companies to recognize a liability for the fair value of a legal obligation to perform asset retirement activities that are conditional on a future event, if the amount can be reasonably estimated.

In order to determine fair value, management must make certain estimates and assumptions including, among other things, projected cash flows, a credit-adjusted risk-free rate and an assessment of market conditions that could significantly impact the estimated fair value of the asset retirement obligation. These estimates and assumptions are subjective.

Goodwill and Intangible Assets. Goodwill represents the excess of the cost of an acquired entity over the fair value of the assets acquired less liabilities assumed. Intangible assets are assets that lack physical substance (excluding financial assets). Goodwill acquired in a business combination and intangible assets with indefinite useful lives are not amortized and intangible assets with finite useful lives are amortized on a straight-line basis over 1 to 40 years. Goodwill and intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate the asset might be impaired. Alon uses December 31 of each year as the valuation date for annual impairment testing purposes.

At December 31, 2012, we had three reporting units with goodwill; California refining, California asphalt, and Retail operations. The fair values of our reporting units in 2012 that contain goodwill were determined using two methods, one based on discounted cash flow models with estimated cash flows based on internal forecasts of revenues and expenses and the other based on market earnings multiples. Each reporting unit was evaluated separately. Cash flows were discounted at rates that approximate a market participants' weighted average cost of capital; 10.2% for both California refining and California asphalt and 8.7% for Retail operations. We believe these two approaches are appropriate valuation techniques for the purposes of our impairment testing. Therefore, we concluded from our valuations, based on business conditions and market values that existed at December 31, 2012, that none of our goodwill was impaired. Our valuation of the California refining reporting unit assumes we will be able to achieve mid-cycle margins over the long-term. If we are unable to achieve these margins for a sustained period in the future, it could result in impairment of goodwill. In addition if, (1) our equity value declines, (2) the fair value of our reporting units decline, or (3) the impact of economic or competitive factors adversely affect beyond what was anticipated, we could conclude in future periods that impairment losses are required in order to reduce the carrying value of our goodwill, and, to a lesser extent, long-lived assets. Depending on the severity of the changes in the key factors underlying the valuation of our reporting units, such losses could be significant.

Reconciliation of Amounts Reported Under Generally Accepted Accounting Principles

Reconciliation of Adjusted EBITDA to amounts reported under generally accepted accounting principles in financial statements.

Adjusted EBITDA represents earnings before net income (loss) attributable to non-controlling interest, income tax expense (benefit), interest expense, depreciation and amortization, gain on bargain purchase and gain (loss) on disposition of assets. Adjusted EBITDA is not a recognized measurement under GAAP; however, the amounts included in Adjusted EBITDA are derived from amounts included in our consolidated financial statements. Our management believes that the presentation of Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. In addition, our management believes that Adjusted EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of Adjusted EBITDA generally eliminates the effects of net income (loss) attributable to non-controlling interest, income tax expense (benefit), interest expense, gain on bargain purchase, gain (loss) on disposition of assets and the accounting effects of capital expenditures and acquisitions, items that may vary for different companies for reasons unrelated to overall operating performance.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect the prior claim that non-controlling interest have on the income generated by non-wholly-owned subsidiaries;
- Adjusted EBITDA does not reflect changes in or cash requirements for our working capital needs; and

- Our calculation of Adjusted EBITDA may differ from EBITDA calculations of other companies in our industry, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally.

The following table reconciles net income (loss) available to stockholders to Adjusted EBITDA for the years ended December 31, 2012, 2011 and 2010:

	Year Ended December 31,		
	2012	2011	2010
	(in thousands)		
Net income (loss) available to stockholders	\$ 79,134	\$ 42,507	\$ (122,932)
Net income (loss) attributable to non-controlling interest	11,463	1,241	(9,641)
Income tax expense (benefit)	49,884	18,918	(90,512)
Interest expense	129,572	88,310	94,939
Depreciation and amortization	121,929	113,730	102,096
Gain on bargain purchase	—	—	(17,480)
(Gain) loss on disposition of assets	2,309	(729)	(945)
Adjusted EBITDA	<u>\$ 394,291</u>	<u>\$ 263,977</u>	<u>\$ (44,475)</u>

Adjusted EBITDA does not exclude unrealized gains (losses) on commodity swaps of \$(31,936) and \$31,936 for the years ended December 31, 2012 and 2011, respectively. Adjusted EBITDA also does not exclude losses on heating oil call option crack spread contracts of \$7,297 and \$36,280 for the years ended December 31, 2012 and 2011, respectively. Adjusted EBITDA excluding the impact of these items would be \$433,524 and \$268,321 for the years ended December 31, 2012 and 2011, respectively.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Changes in commodity prices, purchased fuel prices and interest rates are our primary sources of market risk. Our risk management committee oversees all activities associated with the identification, assessment and management of our market risk exposure.

Commodity Price Risk

We are exposed to market risks related to the volatility of crude oil and refined product prices, as well as volatility in the price of natural gas used in our refinery operations. Our financial results can be affected significantly by fluctuations in these prices, which depend on many factors, including demand for crude oil, gasoline and other refined products, changes in the economy, worldwide production levels, worldwide inventory levels and governmental regulatory initiatives. Our risk management strategy identifies circumstances in which we may utilize the commodity futures market to manage risk associated with these price fluctuations.

In order to manage the uncertainty relating to inventory price volatility, we have consistently applied a policy of maintaining inventories at or below a targeted operating level. In the past, circumstances have occurred, such as timing of crude oil cargo deliveries, turnaround schedules or shifts in market demand that have resulted in variances between our actual inventory level and our desired target level. Upon the review and approval of our risk management committee, we may utilize the commodity futures market to manage these anticipated inventory variances.

We maintain inventories of crude oil, refined products, asphalt and blendstocks, the values of which are subject to wide fluctuations in market prices driven by world economic conditions, regional and global inventory levels and seasonal conditions. As of December 31, 2012, we held approximately 2.0 million barrels of crude oil, refined product and asphalt inventories valued under the LIFO valuation method. Market value exceeded carrying value of LIFO costs by \$58.2 million. We refer to this excess as our LIFO reserve. If the market value of these inventories had been \$1.00 per barrel lower, our LIFO reserve would have been reduced by \$2.0 million.

In accordance with fair value provisions of ASC 825-10, all commodity futures contracts are recorded at fair value and any changes in fair value between periods is recorded in the profit and loss section of our consolidated financial statements. "Forwards" represent physical trades for which pricing and quantities have been set, but the physical product delivery has not occurred by the end of the reporting period. "Futures" represent trades which have been executed on the New York Mercantile Exchange which have not been closed or settled at the end of the reporting period. A "long" represents an obligation to purchase product and a "short" represents an obligation to sell product.

The following table provides information about our derivative commodity instruments as of December 31, 2012:

Description of Activity	Contract Volume (in barrels)	Wtd Avg Purchase Price/BBL	Wtd Avg Sales Price/BBL	Contract Value	Market Value		Gain (Loss)
					(in thousands)		
Forwards-long (Crude)	854,232	85.88	—	\$ 73,364	\$ 79,351	\$ 5,987	
Forwards-long (Gasoline)	97,403	108.99	—	10,615	11,085	470	
Forwards-short (Gasoline)	(5,682)	—	110.34	(627)	(654)	(27)	
Forwards-long (Distillate)	62,815	127.19	—	7,989	8,083	94	
Forwards-short (Distillate)	(113,887)	—	122.67	(13,970)	(14,140)	(170)	
Forwards-long (Jet)	39,249	123.51	—	4,848	4,952	104	
Forwards-short (Jet)	(77,606)	—	126.03	(9,781)	(9,871)	(90)	
Forwards-long (Slurry)	24,837	87.65	—	2,177	2,210	33	
Forwards-short (Slurry)	(3,902)	—	92.65	(362)	(367)	(5)	
Forwards-long (Catfeed)	143,887	111.57	—	16,054	16,604	550	
Forwards-short (Catfeed)	(82,656)	—	111.57	(9,222)	(9,538)	(316)	
Forwards-long (Slop)	14,970	83.25	—	1,246	1,300	54	
Forwards-short (Slop)	(30,423)	—	78.25	(2,381)	(2,489)	(108)	
Forwards-short (Propane)	(22,206)	—	38.84	(862)	(947)	(85)	
Forwards-long (Asphalt)	130,085	80.76	—	10,506	10,196	(310)	
Forwards-short (Asphalt)	(83,731)	—	(89.57)	(7,500)	(7,262)	238	
Futures-short (Crude)	(852,000)	—	90.30	(76,934)	(80,835)	(3,901)	
Futures-long (Gasoline)	35,000	111.64	—	3,907	4,060	153	
Futures-short (Gasoline)	(122,000)	—	109.92	(13,410)	(14,151)	(741)	
Futures-long (Distillate)	67,000	123.97	—	8,306	8,531	225	
Futures-short (Distillate)	(83,000)	—	126.34	(10,486)	(10,569)	(83)	

Description of Activity	Contract Volume (in barrels)	Wtd Avg Contract Spread	Wtd Avg Market Price	Contract Value	Market Value		Gain (Loss)
					(in thousands)		
Futures-swaps	(5,760,000)	\$ 25.30	\$ 25.03	\$ (145,710)	\$ (144,197)	\$ 1,513	

Interest Rate Risk

As of December 31, 2012, \$374.9 million of our outstanding debt was at floating interest rates out of which approximately \$49.0 million was at the Eurodollar rate plus 3.50%, subject to a minimum interest rate of 4.00% and \$250.0 million was at the Eurodollar rate (with a floor of 1.25%) plus a margin of 8.00%. An increase of 1% in the Eurodollar rate on indebtedness, net of the instruments subject to the minimum interest rates, would result in an increase in our interest expense of approximately \$1.2 million per year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Consolidated Financial Statements are included as an annex of this Annual Report on Form 10-K. See the Index to Consolidated Financial Statements on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Our management has evaluated, with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 as amended (the "Exchange Act")) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or furnish under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms including, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or furnish under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate "internal control over financial reporting" (as defined in Rule 13a-15(f) under the Exchange Act) for Alon. Our management evaluated the effectiveness of our internal control over financial reporting as of December 31, 2012. In management's evaluation, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Management believes that as of December 31, 2012, our internal control over financial reporting was effective based on those criteria.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Certifications

Included in this Annual Report on Form 10-K are certifications of our Chief Executive Officer and Chief Financial Officer which are required in accordance with Rule 13a-14 of the Exchange Act. This section includes the information concerning the controls and controls evaluation referred to in the certifications.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information concerning our directors set forth under “Corporate Governance Matters - The Board of Directors” in the proxy statement for our 2013 annual meeting of stockholders (the “Proxy Statement”) is incorporated herein by reference. Certain information concerning our executive officers is set forth under the heading “Business and Properties - Executive Officers of the Registrant” in Items 1 and 2 of this Annual Report on Form 10-K, which is incorporated herein by reference. The information concerning compliance with Section 16(a) of the Exchange Act set forth under “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement is incorporated herein by reference.

The information concerning our audit committee set forth under “Corporate Governance Matters - Committees of the Board and - Audit Committee” in the Proxy Statement is incorporated herein by reference.

The information regarding our Code of Ethics set forth under “Corporate Governance Matters - Corporate Governance Guidelines, Code of Business Conduct and Ethics and Committee Charters” in the Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information set forth under “Executive Compensation” in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information set forth under “Security Ownership of Certain Beneficial Holders and Management” in the Proxy Statement is incorporated herein by reference. The information regarding our equity plans under which shares of our common stock are authorized for issuance as set forth under “Equity Compensation Plan Information” in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information set forth under “Certain Relationships and Related Transactions” and under “Corporate Governance Matters — Independent Directors” in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information set forth under “Independent Public Accountants” in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as part of this report:

1. *Financial Statements.* See “Index to Consolidated Financial Statements” on page F-1.
2. *Financial Statement Schedules and Other Financial Information.* All financial statement schedules are omitted because either they are not applicable or the required information is included in the consolidated financial statements or notes included herein.
3. *Exhibits.* Exhibits filed as part of this Form 10-K are as follows:

Exhibit No.	Description of Exhibit
1.1	Underwriting Agreement by and among Alon USA Partners, LP, Alon USA Partners GP, LLC, Alon Assets, Inc., Alon USA GP, LLC and Alon USA Energy, Inc. and Goldman, Sachs & Co., Credit Suisse Securities (USA) LLC and Citigroup Global Markets Inc., as representatives of the several underwriters named therein, dated November 19, 2012 (incorporated by reference to Exhibit 1.1 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
3.1	Second Amended and Restated Certificate of Incorporation of Alon USA Energy, Inc. (incorporated by reference to Exhibit 3.1 to Form 10-Q, filed by the Company on May 9, 2012, SEC File No. 001-32567).
3.2	Amended and Restated Bylaws of Alon USA Energy, Inc. (incorporated by reference to Exhibit 3.2 to Form S-1/A, filed by the Company on July 14, 2005, SEC File No. 333-124797).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
4.2	Specimen 8.50% Series A Convertible Preferred Stock Certificate. (incorporated by reference to Exhibit 4.4 to Form 10-Q, filed by the Company on November 9, 2010, SEC File No. 001-32567).
4.3	Indenture, dated as of October 22, 2009, by and among Alon Refining Krotz Springs, Inc. and Wilmington Trust FSB, as Trustee (incorporated by reference to Exhibit 4.1 to Form 8-K, filed by the Company on October 23, 2009, SEC File No. 001-32567).
4.4	Form of Certificate of Designation of the 8.75% Series A Convertible Preferred Stock (incorporated by reference to Exhibit 4.3 to Form 10-Q filed by Alon on November 9, 2010, SEC File No. 001-32567).
4.5	Form of Certificate of Designation of the 8.75% Series B Convertible Preferred Stock (incorporated by reference to Exhibit 4.5 to Form 10-K, filed by the Company on March 13, 2012 SEC File No. 001-32567).
10.1	Trademark License Agreement, dated as of July 31, 2000, among Finamark, Inc., Atofina Petrochemicals, Inc. and SWBU, L.P. (incorporated by reference to Exhibit 10.3 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.2	First Amendment to Trademark License Agreement, dated as of April 11, 2001, among Finamark, Inc., Atofina Petrochemicals, Inc. and SWBU, L.P. (incorporated by reference to Exhibit 10.4 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.3	Pipeline Lease Agreement, dated as of December 12, 2007, between Plains Pipeline, L.P. and Alon USA, L.P. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on February 5, 2008, SEC File No. 001-32567).
10.4	Pipeline Lease Agreement, dated as of February 21, 1997, between Navajo Pipeline Company and American Petrofina Pipe Line Company (incorporated by reference to Exhibit 10.6 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.5	Amendment and Supplement to Pipeline Lease Agreement, dated as of August 31, 2007, by and between HEP Pipeline Assets, Limited Partnership and Alon USA, LP (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on November 8, 2007, SEC File No. 001-32567).
10.6	Pipelines and Terminals Agreement, dated as of February 28, 2005, between Alon USA, LP and Holly Energy Partners, L.P. (incorporated by reference to Exhibit 10.8 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.7	Liquor License Purchase Agreement, dated as of May 12, 2003, between Southwest Convenience Stores, LLC and SCS Beverage, Inc. (incorporated by reference to Exhibit 10.34 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.8	Premises Lease, dated as of May 12, 2003, between Southwest Convenience Stores, LLC and SCS Beverage, Inc. (incorporated by reference to Exhibit 10.35 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).

Exhibit No.	Description of Exhibit
10.9	Registration Rights Agreement, dated as of July 6, 2005, between Alon USA Energy, Inc. and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.22 to Form S-1/A, filed by the Company on July 7, 2005, SEC File No. 333-124797).
10.10	Registration Rights Agreement, dated October 22, 2009, between Alon Refining Krotz Springs, Inc. and Jefferies & Company, Inc. (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on October 23, 2009, SEC File No. 001-32567).
10.11	Form of Registration Rights Agreement among the Company and Subsidiary Shareholders, dated June 20, 2012 (incorporated by reference to Exhibit 10.3 to Form 8-K, filed by the Company on June 26, 2012, SEC File No. 001-32567).
10.12	Amended Revolving Credit Agreement, dated as of June 22, 2006, among Alon USA, LP, EOC Acquisition, LLC, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on June 26, 2006, SEC File No. 001-32567).
10.13	First Amendment to Amended Revolving Credit Agreement, dated as of August 4, 2006, to the Amended Revolving Credit Agreement, dated as of June 22, 2006, among Alon USA, LP, EOC Acquisition, LLC, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.25 to Form 10-K, filed by the Company on March 15, 2007 SEC File No. 001-32567).
10.14	Waiver, Consent, Partial Release and Second Amendment, dated as of February 28, 2007, to the Amended Revolving Credit Agreement, dated as of June 22, 2006, Alon USA, LP, Edgington Oil Company, LLC, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on March 5, 2007, SEC File No. 001-32567).
10.15	Third Amendment to Amended Revolving Credit Agreement, dated as of June 29, 2007, to the Amended Revolving Credit Agreement, dated as of June 22, 2006, among Alon USA Energy, Inc., Alon USA, LP, the guarantor companies and financial institutions named therein, Israel Discount Bank of New York and Bank Leumi USA (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on July 20, 2007, SEC File No. 001-32567).
10.16	Waiver, Consent, Partial Release and Fourth Amendment, dated as of July 2, 2008, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.4 to Form 8-K, filed by the Company on July 10, 2008, SEC File No. 001-32567).
10.17	Fifth Amendment to Amended Revolving Credit Agreement, dated as of July 31, 2009, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.3 to Form 10-Q, filed by the Company on August 6, 2009, SEC File No. 001-32567).
10.18	Sixth Amendment to Amended Revolving Credit Agreement, dated as of May 10, 2010, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on May 10, 2010, SEC File No. 001-32567).
10.19	Seventh Amendment to Amended Revolving Credit Agreement, dated as of June 1, 2010, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on August 9, 2010, SEC File No. 001-32567).
10.20	Eighth Amendment to Amended Revolving Credit Agreement, dated as of June 16, 2010, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on August 9, 2010, SEC File No. 001-32567).
10.21	Ninth Amendment to Amended Revolving Credit Agreement, dated as of February 22, 2011, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.22 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.22	Tenth Amendment to Amended Revolving Credit Agreement, dated as of March 6, 2012, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.21 to Form 10-K, filed by the Company on March 13, 2012 SEC File No. 001-32567).
10.23	Eleventh Amendment to Amended Revolving Credit Agreement, dated as of November 13, 2012, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on November 19, 2012, SEC File No. 001-32567).

Exhibit No.	Description of Exhibit
10.24	Twelfth Amendment to Amended Revolving Credit Agreement, dated as of November 16, 2012, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.3 to Form 8-K, filed by the Company on November 19, 2012, SEC File No. 001-32567).
10.25	Revolving Credit Line Agreement, dated March 9, 2010, by and between Alon and Israel Discount Bank of New York (incorporated by reference to Exhibit 10.96 to Form 10-K, filed by the Company on March 16, 2010, SEC File No. 001-32567).
10.26	Amendment and Waiver, dated February 24, 2011, to Revolving Credit Line Agreement, dated March 9, 2010, among Alon and Israel Discount Bank of New York (incorporated by reference to Exhibit 10.24 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.27	Credit Agreement, dated May 28, 2010, by and between Alon Refining Krotz Springs, Inc. and Goldman Sachs Bank USA, as Issuing Bank (incorporated by reference to Exhibit 10.5 to Form 10-Q, filed by the Company on August 9, 2010, SEC File No. 001-32567).
10.28	First Amendment, dated as of July 31, 2012, to the Credit Agreement, dated May 28, 2010, by and between Alon Refining Krotz Springs, Inc. and Goldman Sachs Bank USA, as Issuing Bank (incorporated by reference to Exhibit 10.7 to Form 10-Q, filed by the Company on August 9, 2012, SEC File No. 001-32567).
10.29	Amended and Restated Credit Agreement, dated as of December 30, 2010, among Southwest Convenience Stores, LLC, Skinny's, LLC, the lenders party thereto and Wells Fargo Bank, National Association. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on January 6, 2011, SEC File No. 001-32567).
10.30	First Amendment to the Amended and Restated Credit Agreement, dated as of April 20, 2012, by and among Southwest Convenience Stores, LLC, Skinny's, LLC, the lenders party thereto and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to Form 10-Q Filed by the Company on May 9, 2012, SEC File No. 001-32567).
10.31	Credit and Guaranty Agreement, dated as of November 13, 2012, among Alon USA Energy, Inc., Alon USA Partners, LP, the lenders party thereto and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on November 19, 2012, SEC File No. 001-32567).
10.32	Credit and Guaranty Agreement, dated as of November 26, 2012, among Alon USA Partners, LP, Alon USA Partners GP, LLC and certain subsidiaries of Alon USA Partners, LP, as Guarantors, the lenders party thereto and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on November 30, 2012, SEC File No. 001-32567).
10.33	Purchase Agreement, dated October 13, 2009, between Alon Refining Krotz Springs, Inc. and Jefferies & Co. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on October 19, 2009, SEC File No. 001-32567).
10.34	Management and Consulting Agreement, dated as of August 1, 2003, among Alon USA, Inc., Alon Israel Oil Company, Ltd. and Alon USA Energy, Inc. (incorporated by reference to Exhibit 10.21 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.35	Amendment, dated as of June 17, 2005, to the Management and Consulting Agreement, dated as of August 1, 2003, among Alon USA, Inc., Alon Israel Oil Company, Ltd. and Alon USA Energy, Inc. (incorporated by reference to Exhibit 10.21.1 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.36*	Executive Employment Agreement, dated as of July 31, 2000, between Jeff D. Morris and Alon USA GP, Inc., as amended by the Amendment to Executive/Management Employment Agreement, dated May 1, 2005 (incorporated by reference to Exhibit 10.23 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.37*	Second Amendment to Executive Employment Agreement, dated as of November 4, 2008, between Jeff D. Morris and Alon USA GP, LLC (incorporated by reference to Exhibit 10.9 to Form 10-Q, filed by the Company on November 7, 2008, SEC File No. 001-32567).
10.38*	Executive Employment Agreement between Jeff Morris and Alon USA Energy, Inc., dated May 3, 2011, (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on May 6, 2011, SEC File No. 001-32567).
10.39*	Management Employment Agreement, dated as of March 1, 2010, between Paul Eisman and Alon USA GP, LLC. (incorporated by reference to Exhibit 10.22 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.40*	Executive Employment Agreement, dated as of July 31, 2000, between Claire A. Hart and Alon USA GP, Inc., as amended by the Amendment to Executive/Management Employment Agreement, dated May 1, 2005 (incorporated by reference to Exhibit 10.24 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).

Exhibit No.	Description of Exhibit
10.41*	Second Amendment to Executive Employment Agreement, dated as of November 4, 2008, between Claire A. Hart and Alon USA GP, LLC (incorporated by reference to Exhibit 10.10 to Form 10-Q, filed by the Company on November 7, 2008, SEC File No. 001-32567).
10.42*	Executive Employment Agreement, dated as of August 1, 2003, between Shai Even and Alon USA GP, LLC (incorporated by reference to Exhibit 10.49 to Form 10-K, filed by the Company on March 15, 2007, SEC File No. 001-32567).
10.43*	Amendment to Executive Employment Agreement, dated as of November 4, 2008, between Shai Even and Alon USA GP, LLC. (incorporated by reference to Exhibit 10.14 to Form 10-Q, filed by the Company on November 7, 2008, SEC File No. 001-32567).
10.44*	Management Employment Agreement, dated as of October 30, 2008, between Michael Oster and Alon USA GP, LLC (incorporated by reference to Exhibit 10.71 to Form 10-K, filed by the Company on April 10, 2009, SEC File No. 001-32567).
10.45*	Agreement of Principles of Employment, dated as of December 22, 2009, between David Wiessman and the Company (incorporated by reference to Exhibit 10.44 to Form 10-K, filed by the Company on March 13, 2012 SEC File No. 001-32567).
10.46*	Amended and Restated Employment Agreement by and between Paramount Petroleum Corporation and Alan P. Moret, dated July 8, 2011 (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on July 13, 2011, SEC File No. 001-32567).
10.47*	Management Employment Agreement, dated as of May 1, 2008, between Kyle C. McKeen and Alon USA GP, LLC.
10.48*	Description of Annual Bonus Plans (incorporated by reference to Exhibit 10.56 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.49*	Change of Control Incentive Bonus Program (incorporated by reference to Exhibit 10.29 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.50*	Description of Director Compensation (incorporated by reference to Exhibit 10.30 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.51*	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.31 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.52*	Form of Officer Indemnification Agreement (incorporated by reference to Exhibit 10.32 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.53*	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.33 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.54*	Alon Assets, Inc. 2000 Stock Option Plan (incorporated by reference to Exhibit 10.36 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.55*	Alon USA Operating, Inc. 2000 Stock Option Plan (incorporated by reference to Exhibit 10.37 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.56*	Incentive Stock Option Agreement, dated as of July 31, 2000, between Alon Assets, Inc. and Jeff D. Morris, as amended by the Amendment to the Incentive Stock Option Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.38 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.57*	Second Amendment to Incentive Stock Option Agreement, dated as of November 4, 2008, between Jeff D. Morris and Alon Assets, Inc. (incorporated by reference to Exhibit 10.15 to Form 10-Q, filed by the Company on November 7, 2008, SEC File No. 001-32567).
10.58	Shareholder Agreement, dated as of July 31, 2000, between Alon Assets, Inc. and Jeff D. Morris, as amended by the Amendment to the Shareholder Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.39 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.59*	Incentive Stock Option Agreement, dated as of July 31, 2000, between Alon USA Operating, Inc. and Jeff D. Morris, as amended by the Amendment to the Incentive Stock Option Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.40 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.60*	Second Amendment to Incentive Stock Option Agreement, dated as of November 4, 2008, between Jeff D. Morris and Alon USA Operating, Inc. (incorporated by reference to Exhibit 10.16 to Form 10-Q, filed by the Company on November 7, 2008, SEC File No. 001-32567).
10.61	Shareholder Agreement, dated as of July 31, 2000, between Alon USA Operating, Inc. and Jeff D. Morris, as amended by the Amendment to the Shareholder Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.41 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).

Exhibit No.	Description of Exhibit
10.62	Amendment to Shareholder Agreements among the Company, Alon Assets, Inc., Alon Operating, Inc., Jeff Morris and Jeff Morris/IRA, dated June 20, 2012 (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on June 26, 2012, SEC File No. 001-32567).
10.63*	Incentive Stock Option Agreement, dated as of July 31, 2000, between Alon Assets, Inc. and Claire A. Hart, as amended by the Amendment to the Incentive Stock Option Agreement, dated June 30, 2002 and July 25, 2002 (incorporated by reference to Exhibit 10.42 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.64	Shareholder Agreement, dated as of July 31, 2000, between Alon Assets, Inc. and Claire A. Hart, as amended by the Amendment to the Shareholder Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.43 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.65	Amendment to Shareholder Agreements among the Company, Alon Assets, Inc., Alon Operating, Inc., Claire Hart and Claire Hart/IRA, dated June 20, 2012 (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on June 26, 2012, SEC File No. 001-32567).
10.66*	Incentive Stock Option Agreement, dated as of July 31, 2000, between Alon USA Operating, Inc. and Claire A. Hart, as amended by the Amendment to the Incentive Stock Option Agreement, dated June 30, 2002 and July 25, 2002 (incorporated by reference to Exhibit 10.44 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.67	Shareholder Agreement, dated as of July 31, 2000, between Alon USA Operating, Inc. and Claire A. Hart, as amended by the Amendment to the Shareholder Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.45 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.68*	Incentive Stock Option Agreement, dated as of February 5, 2001, between Alon Assets, Inc. and Joseph A. Conciencie, III, as amended by the Amendment to the Incentive Stock Option Agreement, dated July 25, 2002 (incorporated by reference to Exhibit 10.46 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.69	Shareholder Agreement, dated as of February 5, 2001, between Alon Assets, Inc. and Joseph A. Conciencie, III (incorporated by reference to Exhibit 10.47 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.70*	Incentive Stock Option Agreement, dated as of February 5, 2001, between Alon USA Operating, Inc. and Joseph A. Conciencie, III, as amended by the Amendment to the Incentive Stock Option Agreement, dated July 25, 2002 (incorporated by reference to Exhibit 10.48 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.71	Shareholder Agreement, dated as of February 5, 2001, between Alon USA Operating, Inc. and Joseph A. Conciencie, III (incorporated by reference to Exhibit 10.49 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.72	Amendment to Shareholder Agreements – Option Shares, between Alon Assets, Inc., Alon Operating, Inc., Alon USA Energy, Inc. and Joseph A. Conciencie, dated October 3, 2011.
10.73	Agreement, dated as of July 6, 2005, among Alon USA Energy, Inc., Alon USA, Inc., Alon USA Capital, Inc., Alon USA Operating, Inc., Alon Assets, Inc., Jeff D. Morris, Claire A. Hart and Joseph A. Conciencie, III (incorporated by reference to Exhibit 10.52 to Form S-1/A, filed by the Company on July 7, 2005, SEC File No. 333-124797).
10.74*	Alon USA Energy, Inc. Second Amended and Restated 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on May 9, 2012, SEC File No. 001-32567).
10.75*	Form of Restricted Stock Award Agreement relating to Director Grants pursuant to Section 12 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on August 5, 2005, SEC File No. 001-32567).
10.76*	Form of Restricted Stock Award Agreement relating to Participant Grants pursuant to Section 8 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on August 23, 2005, SEC File No. 001-32567).
10.77*	Form II of Restricted Stock Award Agreement relating to Participant Grants pursuant to Section 8 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to Form 8-K, filed by the Company on November 8, 2005, SEC File No. 001-32567).
10.78*	Form of Appreciation Rights Award Agreement relating to Participant Grants pursuant to Section 7 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on March 12, 2007, SEC File No. 001-32567).
10.79*	Form of Amendment to Appreciation Rights Award Agreement relating to Participant Grants pursuant to Section 7 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on January 27, 2010, SEC File No. 001-32567).

Exhibit No.	Description of Exhibit
10.80*	Form II of Appreciation Rights Award Agreement relating to Participant Grants pursuant to Section 7 of the Alon USA Energy, inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on January 27, 2010, SEC File No. 001-32567).
10.81*	Award Agreement between the Company and Paul Eisman, dated May 5, 2011, (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on May 9, 2011, SEC File No. 001-32567).
10.82*	Form of Award Agreement relating to Executive Officer Restricted Stock Grants pursuant to the Alon USA Energy, Inc. 2005 Amended and Restated Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on May 9, 2011, SEC File No. 001-32567).
10.83	Stock Purchase Agreement, dated as of April 28, 2006, among Alon USA Energy, Inc., The Craig C. Barto and Gisele M. Barto Living Trust, Dated April 5, 1991, The Jerrel C. Barto and Janice D. Barto Living Trust, Dated March 18, 1991, W. Scott Lovejoy, III and Mark R. Milano (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on May 2, 2006, SEC File No. 001-32567).
10.84	First Amendment to Stock Purchase Agreement, dated as of June 30, 2006, among Alon USA Energy, Inc., The Craig C. Barto and Gisele M. Barto Living Trust, Dated April 5, 1991, The Jerrel C. Barto and Janice D. Barto Living Trust, Dated March 18, 1991, W. Scott Lovejoy III and Mark R. Milano (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on November 14, 2006, SEC File No. 001-32567).
10.85	Second Amendment to Stock Purchase Agreement, dated as of July 31, 2006, among Alon USA Energy, Inc., The Craig C. Barto and Gisele M. Barto Living Trust, Dated April 5, 1991, The Jerrel C. Barto and Janice D. Barto Living Trust, Dated March 18, 1991, W. Scott Lovejoy III and Mark R. Milano (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on November 14, 2006, SEC File No. 001-32567).
10.86	Agreement and Plan of Merger, dated as of April 28, 2006, among Alon USA Energy, Inc., Apex Oil Company, Inc., Edgington Oil Company, and EOC Acquisition, LLC (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on May 2, 2006, SEC File No. 001-32567).
10.87	Agreement and Plan of Merger, dated March 2, 2007, by and among Alon USA Energy, Inc., Alon USA Interests, LLC, ALOSKI, LLC, Skinny's, Inc. and the Davis Shareholders (as defined therein) (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on March 6, 2007, SEC File No. 001-32567).
10.88	Stock Purchase Agreement, dated May 7, 2008, between Valero Refining and Marketing Company and Alon Refining Krotz Springs, Inc. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on May 13, 2008, SEC File No. 001-32567).
10.89	First Amendment to Stock Purchase Agreement, dated as of July 3, 2008, by and among Valero Refining and Marketing Company, Alon Refining Krotz Springs, Inc. and Valero Refining Company-Louisiana (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on July 10, 2008, SEC File No. 001-32567).
10.90	Series A Preferred Stock Purchase Agreement, dated as of July 3, 2008, by and between Alon Refining Louisiana, Inc. and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.5 to Form 8-K, filed by the Company on July 10, 2008, SEC File No. 001-32567).
10.91	Stockholders Agreement, dated as of July 3, 2008, by and among Alon USA Energy, Inc., Alon Refining Louisiana, Inc., Alon Louisiana Holdings, Inc. and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.6 to Form 8-K, filed by the Company on July 10, 2008, SEC File No. 001-32567).
10.92	Amended and Restated Stockholders Agreement dated as of March 31, 2009, by and among Alon USA Energy, Inc., Alon Refining Louisiana, Inc., Alon Louisiana Holdings, Inc. and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.88 to Form 10-K, filed by the Company on April 10, 2009, SEC File No. 001-32567).
10.93	First Amendment to Amended and Restated Stockholders Agreement dated as of December 31, 2009, by and among Alon USA Energy, Inc., Alon Refining Louisiana, Inc., Alon Louisiana Holdings, Inc. and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on January 5, 2010, SEC File No. 001-32567).
10.94	Offtake Agreement, dated as of July 3, 2008, by and between Valero Marketing and Supply Company and Alon Refining Krotz Springs, Inc. (incorporated by reference to Exhibit 10.9 to Form 10-Q, filed by the Company on August 8, 2008, SEC File No. 001-32567).
10.95	Earnout Agreement, dated as of July 3, 2008, by and between Valero Refining and Marketing Company and Alon Refining Krotz Springs, Inc. (incorporated by reference to Exhibit 10.10 to Form 10-Q, filed by the Company on August 8, 2008, SEC File No. 001-32567).
10.96	First Amendment to Earnout Agreement, dated as of August 27, 2009, by and between Valero Refining and Marketing Company and Alon Refining Krotz Springs, Inc. (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on November 6, 2009, SEC No. 001-32567).

Exhibit No.	Description of Exhibit
10.97	Amended and Restated Supply and Offtake Agreement, dated May 28, 2010 by and between Alon Refining Krotz Springs, Inc. and J. Aron & Company (incorporated by reference to Exhibit 10.6 to Form 10-Q, filed by the Company on August 9, 2010, SEC File No. 001-32567).
10.98	First Amendment to the Supply and Offtake Agreement, dated January 20, 2011, by and between Alon Refining Krotz Springs, Inc. and J. Aron & Company (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on May 10, 2011, SEC File No. 001-32567).
10.99	Amended and Restated Second Amendment to the Supply and Offtake Agreement, dated March 1, 2011, by and between Alon Refining Krotz Springs, Inc. and J. Aron & Company (incorporated by reference to Exhibit 10.3 to Form 10-Q, filed by the Company on May 10, 2011, SEC File No. 001-32567).
10.100	Supplemental Agreement to Supply and Offtake Agreement, dated October 31, 2011, between Alon Refining Krotz Springs, Inc. and J. Aron & Company (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on November 7, 2011, SEC File No. 001-32567).
10.101	Amendment, dated as of July 20, 2012, to the Amended and Restated Supply and Offtake Agreement, dated May 28, 2010, by and between Alon Refining Krotz Springs, Inc. and J. Aron & Company (incorporated by reference to Exhibit 10.5 to Form 10-Q, filed by the Company on August 9, 2012, SEC File No. 001-32567).
10.102	Amended and Restated Supply and Offtake Agreement by and between Alon USA, LP and J. Aron & Company, dated March 1, 2011 (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on May 10, 2011, SEC File No. 001-32567).
10.103	Supplemental Agreement to Supply and Offtake Agreement, dated October 31, 2011, between Alon USA, LP and J.A Aron & Company (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on November 11, 2011, SEC File No. 001-32567).
10.104	Amendment, dated as of July 20, 2012, to the Amended and Restated Supply and Offtake Agreement by and between Alon USA, LP, and J. Aron & Company, dated March 1, 2011 (incorporated by reference to Exhibit 10.4 to Form 10-Q, filed by the Company on August 9, 2012, SEC File No. 001-32567).
10.105	Supply and Offtake Agreement by and between Paramount Petroleum Corporation and J. Aron & Company, dated February 28, 2012.
10.106	Amendment, dated as of July 20, 2012, to the Supply and Offtake Agreement, dated May 30, 2012, by and between Alon Supply, Inc., and J. Aron and Company (incorporated by reference to Exhibit 10.6 to Form 10-Q, filed by the Company on August 9, 2012, SEC File No. 001-32567).
10.107	Standby Equity Distribution Agreement, dated as of January 20, 2011, among Alon USA Energy, Inc. and YA Global Master SPV, Ltd. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on January 24, 2011, SEC File No. 001-32567).
10.108	Form of Series A Convertible Preferred Stock Purchase Agreement (incorporated by reference to Exhibit 10.105 to Form S-1/A, filed by the Company on October 22, 2010, SEC File No. 333-169583).
10.109	Warrant Agreement, dated March 10, 2011, between the Company, FIMI Opportunity IV, L.P and FIMI Israel Opportunity IV, Limited Partnership (incorporated by reference to Exhibit 10.104 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.110	Warrant Agreement, dated March 10, 2011, between the Company, FIMI Opportunity IV, L.P and FIMI Israel Opportunity IV, Limited Partnership (incorporated by reference to Exhibit 10.105 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.111	Warrant Agreement, dated March 14, 2011, between the Company and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.106 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.112	Form of Series B Convertible Preferred Stock Purchase Agreement (incorporated by reference to Exhibit 10.106 to Form 10-K, filed by the Company on March 13, 2012 SEC File No. 001-32567).
10.113	Omnibus Agreement by and among Alon USA Partners, LP, Alon USA Partners GP, LLC, Alon Assets, Inc. and Alon Energy, Inc., dated November 26, 2012 (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
10.114	Services Agreement by and among Alon USA Partners, LP, Alon USA Partners GP, LLC by and Alon Energy, Inc., dated November 26, 2012 (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
10.115	Tax Sharing Agreement by and among Alon USA Partners, LP and Alon USA Energy, Inc., dated November 26, 2012 (incorporated by reference to Exhibit 10.3 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
10.116	Distributor Sales Agreement by and among Along USA Partners, LP and Southwest Convenience Stores, LLC, dated November 26, 2012 (incorporated by reference to Exhibit 10.4 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).

Exhibit No.	Description of Exhibit
10.117	Offtake Agreement by and among Alon USA, LP and Paramount Petroleum Corporation, dated November 26, 2012 (incorporated by reference to Exhibit 10.5 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
10.118	Contribution, Conveyance and Assumption Agreement by and among Alon Assets, Inc., Alon USA Partners GP, LLC, Alon USA Partners, LP, Alon USA Energy, Inc., Alon USA Refining, LLC, Alon USA Operating, Inc., Alon USA, LP and Alon USA GP, LLC, dated November 26, 2012 (incorporated by reference to Exhibit 10.6 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
21.1	Subsidiaries of Alon USA Energy, Inc.
23.1	Consent of KPMG LLP.
31.1	Certifications of Chief Executive Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Chief Financial Officer pursuant to §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. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
100	The following financial information from Alon USA Energy, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheets, (ii) Statements of Operations, (iii) Statements of Comprehensive Income, (iv) Statement of Stockholders' Equity, (v) Statements of Cash Flows and (vi) Notes to Financial Statements.

* Identifies management contracts and compensatory plans or arrangements.

† Filed under confidential treatment request.

ALON USA ENERGY, INC. AND SUBSIDIARIES
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Alon USA Energy, Inc.:

We have audited the accompanying consolidated balance sheets of Alon USA Energy, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alon USA Energy, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Alon USA Energy, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 13, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Dallas, Texas
March 13, 2013

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Alon USA Energy, Inc.:

We have audited Alon USA Energy, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Alon USA Energy, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Alon USA Energy, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Alon USA Energy, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated March 13, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Dallas, Texas
March 13, 2013

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	As of December 31,	
	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 116,296	\$ 157,066
Accounts and other receivables, net	183,632	244,194
Income tax receivable	506	3,020
Inventories	183,919	147,272
Deferred income tax asset	5,223	49,410
Prepaid expenses and other current assets	19,322	8,376
Total current assets	<u>508,898</u>	<u>609,338</u>
Equity method investments	21,582	20,342
Property, plant and equipment, net	1,492,493	1,504,870
Goodwill	105,943	105,943
Other assets, net	94,658	89,889
Total assets	<u>\$ 2,223,574</u>	<u>\$ 2,330,382</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 309,573	\$ 298,596
Accrued liabilities	102,579	91,416
Current portion of long-term debt	9,504	119,874
Total current liabilities	<u>421,656</u>	<u>509,886</u>
Other non-current liabilities	254,946	192,065
Long-term debt	577,513	930,322
Deferred income tax liability	348,273	302,325
Total liabilities	<u>1,602,388</u>	<u>1,934,598</u>
Commitments and contingencies (Note 20)		
Stockholders' equity:		
Preferred stock, par value \$0.01, 15,000,000 shares authorized; 4,220,000 and 4,000,000 shares issued and outstanding at December 31, 2012 and 2011, respectively	42,200	40,000
Common stock, par value \$0.01, 150,000,000 shares authorized; 61,272,429 and 56,107,986 shares issued and outstanding at December 31, 2012 and 2011, respectively	613	561
Additional paid-in capital	444,022	318,659
Accumulated other comprehensive loss, net of income tax	(30,447)	(26,483)
Retained earnings	128,319	63,273
Total stockholders' equity	<u>584,707</u>	<u>396,010</u>
Non-controlling interest in subsidiaries	36,479	(226)
Total equity	<u>621,186</u>	<u>395,784</u>
Total liabilities and equity	<u>\$ 2,223,574</u>	<u>\$ 2,330,382</u>

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)

	Year Ended December 31,		
	2012	2011	2010
Net sales (1)	\$ 8,017,741	\$ 7,186,257	\$ 4,030,743
Operating costs and expenses:			
Cost of sales	7,117,449	6,494,883	3,712,358
Unrealized (gains) losses on commodity swaps	31,936	(31,936)	—
Direct operating expenses	313,242	285,666	249,933
Selling, general and administrative expenses	161,401	143,122	128,082
Depreciation and amortization	121,929	113,730	102,096
Total operating costs and expenses	<u>7,745,957</u>	<u>7,005,465</u>	<u>4,192,469</u>
Gain (loss) on disposition of assets	(2,309)	729	945
Operating income (loss)	269,475	181,521	(160,781)
Interest expense	(129,572)	(88,310)	(94,939)
Equity earnings of investees	7,162	5,128	5,439
Gain on bargain purchase	—	—	17,480
Other income (loss), net	(6,584)	(35,673)	9,716
Income (loss) before income tax expense (benefit)	140,481	62,666	(223,085)
Income tax expense (benefit)	49,884	18,918	(90,512)
Net income (loss)	90,597	43,748	(132,573)
Net income (loss) attributable to non-controlling interest	11,463	1,241	(9,641)
Net income (loss) available to stockholders	<u>\$ 79,134</u>	<u>\$ 42,507</u>	<u>\$ (122,932)</u>
Earnings (loss) per share, basic	<u>\$ 1.29</u>	<u>\$ 0.77</u>	<u>\$ (2.27)</u>
Weighted average shares outstanding, basic (in thousands)	<u>57,501</u>	<u>55,431</u>	<u>54,186</u>
Earnings (loss) per share, diluted	<u>\$ 1.24</u>	<u>\$ 0.69</u>	<u>\$ (2.27)</u>
Weighted average shares outstanding, diluted (in thousands)	<u>63,917</u>	<u>61,401</u>	<u>54,186</u>
Cash dividends per share	<u>\$ 0.16</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>

- (1) Includes excise taxes on sales by the retail segment of \$66,563, \$60,686 and \$54,930 for the years ended December 31, 2012, 2011 and 2010, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	Year Ended December 31,		
	2012	2011	2010
Net income (loss)	\$ 90,597	\$ 43,748	\$ (132,573)
Other comprehensive income (loss), net of tax:			
Pension and other postretirement benefits:			
Gain (loss) reclassified into income related to:			
Prior service credit	(32)	(35)	(30)
Net actuarial gain (loss)	(7,967)	(7,081)	721
Net gain (loss) on pension and other postretirement benefits	(7,999)	(7,116)	691
Interest rate derivatives designated as cash flow hedges:			
Unrealized holding gain (loss) arising during period, net of tax	86	(501)	(2,567)
Less: reclassification adjustments for gain (loss) realized in net income, net of tax	(2,642)	(2,648)	(8,698)
Net gain (loss), net of tax	2,728	2,147	6,131
Commodity contracts designated as cash flow hedges:			
Unrealized holding gain (loss) arising during period, net of tax	(47,734)	—	—
Less: reclassification adjustments for gain (loss) realized in net income, net of tax	(48,702)	—	(4,496)
Net gain (loss), net of tax	968	—	4,496
Total other comprehensive income (loss), net of tax	(4,303)	(4,969)	11,318
Comprehensive income (loss)	86,294	38,779	(121,255)
Comprehensive income (loss) attributable to non-controlling interest	11,124	838	(9,277)
Comprehensive income (loss) attributable to stockholders	\$ 75,170	\$ 37,941	\$ (111,978)

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(dollars in thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2009	\$ —	\$ 542	\$ 289,853	\$ (32,871)	\$ 165,248	\$ 422,772	\$ 9,146	\$ 431,918
Stock compensation expense	—	—	575	—	—	575	4	579
Dividends	—	—	—	—	(8,751)	(8,751)	(593)	(9,344)
Dividends of common stock on preferred stock	—	1	512	—	(513)	—	—	—
Equity contribution from parent	—	—	138	—	—	138	—	138
Preferred stock issuance	40,000	—	(269)	—	—	40,000	—	40,000
Stock issuance costs	—	—	—	—	(269)	(269)	—	(269)
Net loss	—	—	—	—	(122,932)	(122,932)	(9,641)	(132,573)
Defined benefit pension plans, net of tax of \$673	—	—	—	691	—	691	—	691
Fair value of commodity derivative contracts, net of tax of \$2,678	—	—	—	4,209	—	4,209	287	4,496
Fair value of interest rate swaps, net of tax of \$3,301	—	—	—	6,054	—	6,054	77	6,131
Balance at December 31, 2010	40,000	543	290,809	(21,917)	33,052	342,487	(720)	341,767
Stock compensation expense	—	—	2,388	—	—	2,388	541	2,929
Dividends	—	—	—	—	(8,886)	(8,886)	(704)	(9,590)
Dividends of common stock on preferred stock	—	4	2,950	—	(3,400)	(446)	—	(446)
Common stock issuance	—	14	12,067	—	—	12,081	(181)	11,900
Stock issuance costs	—	—	(543)	—	—	(543)	—	(543)
Warrants on debt issuance	—	—	10,988	—	—	10,988	—	10,988
Net income	—	—	—	—	42,507	42,507	1,241	43,748
Defined benefit pension plans, net of tax of \$4,792	—	—	—	(6,713)	—	(6,713)	(403)	(7,116)
Fair value of interest rate swaps, net of tax of \$1,157	—	—	—	2,147	—	2,147	—	2,147
Balance at December 31, 2011	40,000	561	318,659	(26,483)	63,273	396,010	(226)	395,784
Stock compensation expense	—	4	4,629	—	—	4,633	(503)	4,130
Dividends	—	—	—	—	(9,196)	(9,196)	(524)	(9,720)
Dividends of common stock on preferred stock	—	7	4,127	—	(4,892)	(758)	—	(758)
Preferred stock issuance	30,000	—	9,270	—	—	39,270	—	39,270
Stock issuance costs	—	—	(10)	—	—	(10)	—	(10)
Warrants retired	—	—	(10,988)	—	—	(10,988)	—	(10,988)
Preferred stock conversion	(27,800)	41	27,759	—	—	—	—	—
Alon USA Partners, LP initial public offering	—	—	90,576	—	—	90,576	26,608	117,184
Net income	—	—	—	—	79,134	79,134	11,463	90,597
Defined benefit pension plans, net of tax of \$4,602	—	—	—	(7,613)	—	(7,613)	(386)	(7,999)
Fair value of interest rate swaps, net of tax of \$1,469	—	—	—	2,728	—	2,728	—	2,728
Fair value of commodity swaps, net of tax of \$546	—	—	—	921	—	921	47	968
Balance at December 31, 2012	\$ 42,200	\$ 613	\$ 444,022	\$ (30,447)	\$ 128,319	\$ 584,707	\$ 36,479	\$ 621,186

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income (loss) available to stockholders	\$ 79,134	\$ 42,507	\$ (122,932)
Adjustments to reconcile net income (loss) available to stockholders to cash provided by operating activities:			
Depreciation and amortization	121,929	113,730	102,096
Stock compensation	4,130	2,929	579
Deferred income tax expense (benefit)	42,022	17,416	(98,595)
Net income (loss) attributable to non-controlling interest	11,463	1,241	(9,641)
Equity earnings of investees (net of dividends)	(1,240)	(1,678)	—
Amortization of debt issuance costs	6,296	6,493	5,825
Amortization of original issuance discount	2,570	3,050	1,685
Write-off of unamortized original issuance discount	28,374	—	—
Write-off of unamortized debt issuance costs	8,826	—	6,659
Gain on bargain purchase	—	—	(17,480)
(Gain) loss on disposition of assets	2,309	(729)	(945)
Unrealized (gains) losses on commodity swaps	31,936	(31,936)	—
Changes in operating assets and liabilities, net of acquisition effects:			
Accounts and other receivables, net	28,624	(96,717)	(8,325)
Income tax receivable	2,516	5,622	56,777
Inventories	(36,647)	(7,387)	91,293
Prepaid expenses and other current assets	(10,946)	(501)	2,444
Other assets, net	(9,260)	(21,806)	(21,501)
Accounts payable	10,977	5,605	(3,277)
Accrued liabilities	5,718	9,178	6,768
Other non-current liabilities	59,079	22,543	29,900
Net cash provided by operating activities	387,810	69,560	21,330
Cash flows from investing activities:			
Capital expenditures	(93,901)	(112,625)	(46,707)
Capital expenditures for turnarounds and catalysts	(11,460)	(9,734)	(13,131)
Dividends from investees, net of equity earnings	—	—	1,242
Proceeds from disposition of assets	381	2,379	21,978
Proceeds from sale of securities	—	—	36,852
Acquisition of Bakersfield refinery	—	—	(32,409)
Earnout payments related to Krotz Springs refinery acquisition	—	(6,562)	(8,750)
Net cash used in investing activities	(104,980)	(126,542)	(40,925)
Cash flows from financing activities:			
Dividends paid to stockholders	(9,196)	(8,886)	(8,751)
Dividends paid to non-controlling interest	(524)	(704)	(593)
Proceeds from sale of preferred stock	—	—	40,000
Proceeds from issuance of common stock	—	11,900	—
Stock issuance costs	(10)	(543)	(269)
Inventory supply agreement	—	1,165	45,807
Deferred debt issuance costs	(17,512)	(2,400)	(2,946)
Revolving credit facilities, net	(259,341)	123,222	(21,458)
Additions to long-term debt	427,500	30,136	10,000
Payments on long-term debt	(632,282)	(11,529)	(10,945)
Contributions from non-controlling interest in Alon USA Partners, LP	167,765	—	—
Net cash provided by (used in) financing activities	(323,600)	142,361	50,845
Net increase (decrease) in cash and cash equivalents	(40,770)	85,379	31,250
Cash and cash equivalents, beginning of period	157,066	71,687	40,437
Cash and cash equivalents, end of period	\$ 116,296	\$ 157,066	\$ 71,687
Supplemental cash flow information:			
Cash paid for interest	\$ 87,132	\$ 79,899	\$ 84,467
Cash paid (received) for income tax, net of refunds	\$ 5,498	\$ (4,087)	\$ (48,363)
Non-cash activities:			
Financing activity — payment on long-term debt from issuance of preferred stock	\$ (30,000)	\$ —	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except as noted)

(1) Description and Nature of Business

In this document, Alon may refer to Alon USA Energy, Inc. and its consolidated subsidiaries or to Alon USA Energy, Inc. or an individual subsidiary.

Alon engages in the business of refining and marketing of petroleum products, primarily in the South Central, Southwestern and Western regions of the United States. Alon's business consists of three operating segments: (i) refining and marketing, (ii) asphalt and (iii) retail.

Refining and Marketing Segment. Alon's refining and marketing segment includes sour and heavy crude oil refineries located in Big Spring, Texas; and Paramount, Bakersfield and Long Beach, California (the "California refineries"); and a light sweet crude oil refinery located in Krotz Springs, Louisiana. Alon's refineries have a combined throughput capacity of approximately 240,000 barrels per day ("bpd"). At these refineries, Alon refines crude oil into products including gasoline, diesel, jet fuel, petrochemicals, feedstocks, asphalts and other petroleum products, which are marketed primarily in the South Central, Southwestern and Western regions of the United States. Finished products and blendstocks are also marketed through sales and exchanges with other major oil companies, state and federal governmental entities, unbranded wholesale distributors and various other third parties. Alon also acquires finished products through exchange agreements and third-party suppliers.

Alon owns the Big Spring refinery and wholesale marketing operations through Alon USA Partners, LP. Alon markets transportation fuels produced at its Big Spring refinery in West and Central Texas, Oklahoma, New Mexico and Arizona. Alon refers to its operations in these regions as its "physically integrated system" because it supplies its Alon branded and unbranded distributors in these regions with motor fuels produced at its Big Spring refinery and distributed through a network of pipelines and terminals which it either owns or has access to through leases or long-term throughput agreements.

Alon supplies gasoline and diesel to approximately 640 Alon branded retail sites, including its retail segment convenience stores. Approximately 54% of the gasoline and 23% of the diesel motor fuel produced at Alon's Big Spring refinery was transferred to Alon's retail segment convenience stores at prices substantially determined by wholesale market prices. Additionally, Alon licenses the use of the Alon brand name and provides credit card processing services to approximately 115 licensed locations that are not under fuel supply agreements.

Alon has operated under an exclusive license to use the FINA trademark in the wholesale distribution of motor fuel within Texas, Oklahoma, New Mexico, Arizona, Arkansas, Louisiana, Colorado and Utah since 2000. Alon's license to use the FINA brand expired in August 2012 in accordance with its terms. Alon developed its own brand and logo in anticipation of this expiration of this license and in 2012 converted all of its locations and substantially all locations served by its branded marketing business to the new Alon brand. Under the Alon brand, Alon will no longer be subject to the geographic limitations contained in the FINA license agreement.

Alon markets refined products produced from its California refineries to wholesale distributors, other refiners and third parties primarily on the West Coast. Alon started-up the Bakersfield hydrocracker in late June 2011 and began processing vacuum gas oil produced at Alon's other California locations. In December 2012, the California refineries suspended operations, which included the Bakersfield hydrocracker.

The Krotz Springs refinery supplies multiple demand centers in the Southern and Eastern United States markets through the Colonial products pipeline system. The Krotz Springs refinery processing units are structured to yield approximately 101.5% of total feedstock input, meaning that for each 100 barrels of crude oil and feedstocks input into the refinery, it produces 101.5 barrels of refined products. Of the 101.5%, on average 99.0% is light finished products such as gasoline and distillates, including diesel and jet fuel, petrochemical feedstocks and liquefied petroleum gas, and the remaining 2.5% is primarily heavy oils.

Asphalt Segment. Alon's asphalt segment includes the Willbridge, Oregon refinery and 11 refinery/terminal locations in Texas (Big Spring), California (Paramount, Long Beach, Elk Grove, Bakersfield and Mojave), Oregon (Willbridge), Washington (Richmond Beach), Arizona (Phoenix and Flagstaff), and Nevada (Fernley) (50% interest) as well as a 50% interest in Wright Asphalt Products Company, LLC ("Wright") which specializes in marketing patented tire rubber modified asphalt products. Alon produces both paving and roofing grades of asphalt and, depending on the terminal, can manufacture performance-graded asphalts, emulsions and cutbacks. The operations in which Alon has a 50% interest (Fernley and Wright), are recorded under the equity method of accounting and the investments are included as part of total assets in the asphalt segment data.

Alon's asphalt segment markets asphalt produced at its Big Spring and California refineries included in the refining and marketing segment. Asphalt produced by the refineries in Alon's refining and marketing segment is transferred to the asphalt

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(dollars in thousands, except as noted)

segment at prices substantially determined by reference to the cost of crude oil, which is intended to approximate wholesale market prices.

Retail Segment. Alon's retail segment operates 298 convenience stores located in Central and West Texas and New Mexico. These convenience stores typically offer various grades of gasoline, diesel fuel, general merchandise and food and beverage products to the general public, primarily under the 7-Eleven and Alon brand names. Substantially all of the motor fuel sold through Alon's retail segment is supplied by Alon's Big Spring refinery.

(2) Basis of Presentation and Certain Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of Alon USA Energy, Inc. and its subsidiaries (collectively, "Alon"). All significant intercompany balances and transactions have been eliminated.

On November 26, 2012, Alon USA Partners, LP (the "Partnership") completed its initial public offering (NYSE: ALDW) of 11,500,000 common units representing limited partner interests. As of December 31, 2012, the 11,500,000 common units held by the public represent 18.4% of the Partnership's common units outstanding. Alon owns the remaining 81.6% of the Partnership's common units and Alon USA Partners GP, LLC (the "General Partner"), Alon's wholly-owned subsidiary, owns 100% of the non-economic general partner interest in the Partnership. The Partnership is consolidated within the refining and marketing segment.

The non-controlling interest in the Partnership on the December 31, 2012 consolidated balance sheet represents the investment by partners other than Alon, including those partners' share of net income, distributions and accumulated other comprehensive income (loss) of the Partnership since the close of its initial public offering on November 26, 2012. Non-controlling interest in net income of the Partnership on Alon's consolidated statements of operations represents those partners' share of net income of the Partnership.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Revenue Recognition

Revenues from sales of refined products are earned and realized upon transfer of title to the customer based on the contractual terms of delivery (including payment terms and prices). Title primarily transfers at the refinery or terminal when the refined product is loaded into the common carrier pipelines, trucks or railcars (free on board origin). In some situations, title transfers at the customer's destination (free on board destination).

Alon occasionally enters into refined product buy/sell arrangements, which involve linked purchases and sales related to refined product sales contracts entered into to address location, quality or grade requirements. These buy/sell transactions are included on a net basis in sales in the consolidated statements of operations and profits are recognized when the exchanged product is sold.

Revenue from Alon's inventory financing agreements (Note 9) is reported on a gross basis as Alon is considered a principal in these agreements.

In the ordinary course of business, logistical and refinery production schedules necessitate the occasional sale of crude oil to third parties. All purchases and sales of crude oil are recorded net, in cost of sales in the consolidated statements of operations.

Excise taxes on sales by Alon's retail segment is presented on a gross basis. Supplemental information regarding the amount of such taxes included in revenues are provided in a footnote on the face of the consolidated statements of operations. All other excise taxes are presented on a net basis in the consolidated statements of operations.

(d) Cost Classifications

Refining and marketing cost of sales includes crude oil and other raw materials, inclusive of transportation costs. Asphalt cost of sales includes costs of purchased asphalt, blending materials and transportation costs. Retail cost of sales includes cost of sales for motor fuels and for merchandise. Motor fuel cost of sales represents the net cost of purchased fuel, including transportation costs and associated motor fuel taxes. Merchandise cost of sales includes the delivered cost of merchandise

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(dollars in thousands, except as noted)

purchases, net of merchandise rebates and commissions. Cost of sales excludes depreciation and amortization, which is presented separately in the consolidated statements of operations.

Direct operating expenses, which relate to Alon's refining and marketing and asphalt segments, include costs associated with the actual operations of the refineries and terminals, such as energy and utility costs, routine maintenance, labor, insurance and environmental compliance costs. Operating costs associated with Alon's crude oil and product pipelines are considered to be transportation costs and are reflected in cost of sales in the consolidated statements of operations.

Selling, general and administrative expenses consist primarily of costs relating to the operations of the convenience stores, including labor, utilities, maintenance and retail corporate overhead costs. Refining and marketing and asphalt segments corporate overhead and marketing expenses are also included in selling, general and administrative expenses.

Interest expense consists of interest expense, letters of credit, financing costs associated with crude oil purchases, fees, and both the amortization and write-off of original issuance discount and deferred debt issuance costs but excludes capitalized interest.

(e) Cash and Cash Equivalents

All highly-liquid instruments with a maturity of three months or less at the time of purchase are considered to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

(f) Accounts Receivable

The majority of accounts receivable is due from companies in the petroleum industry. Credit is extended based on evaluation of the customer's financial condition and in certain circumstances, collateral, such as letters of credit or guarantees, are required. Credit losses are charged to reserve for bad debts when accounts are deemed uncollectible. Reserve for bad debts is based on a combination of current sales and specific identification methods.

(g) Inventories

Crude oil, refined products and blendstocks for the refining and marketing segment and asphalt for the asphalt segment (including inventory consigned to others) are stated at the lower of cost or market. Cost is determined under the last-in, first-out ("LIFO") valuation method. Cost of crude oil, refined products, asphalt and blendstock inventories in excess of market value are charged to cost of sales. Such charges are subject to reversal in subsequent periods, not to exceed LIFO cost, if prices recover. Materials and supplies are stated at average cost. Cost for the retail segment merchandise inventories is determined under the retail inventory method and cost for retail segment fuel inventories is determined under the first-in, first-out ("FIFO") method.

Crude oil inventory consigned to others represents inventory that was sold to third parties with an obligation by Alon to repurchase the inventory at the end of the respective agreements. As a result of this requirement to repurchase inventory, no revenue was recorded on these transactions and the inventory volumes remain valued under the LIFO method.

(h) Hedging Activity

All derivative instruments are recorded in the consolidated balance sheet as either assets or liabilities measured at their fair value. Alon generally considers all commodity forwards, futures, swaps, and option contracts to be part of its risk management strategy. For commodity derivative contracts not designated as cash flow hedges, the net unrealized gains and losses for changes in fair value are recognized in cost of sales or in other income (loss), net on the consolidated statement of operations.

Alon selectively designates certain commodity derivative contracts and interest rate derivatives as cash flow hedges. The effective portion of the gains or losses associated with these derivative contracts designated and qualifying as cash flow hedges are initially recorded in accumulated other comprehensive income in the consolidated balance sheet and reclassified into the statement of operations in the period in which the underlying hedged forecasted transaction affects income. The amounts recorded into the consolidated statement of operations for commodity derivative contracts is recorded as a part of cost of sales and the amounts recorded for interest rate derivatives are recognized as interest expense. The ineffective portion of the gains or losses on the derivative contracts, if any, is recognized in the consolidated statement of operations as it is incurred.

Alon designated the derivative transactions related to the inventory financing agreements as fair value hedges of inventory. The gain or loss on the derivative instrument designated and qualifying as a fair value hedge, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, is recognized currently in income in the same period.

(i) Property, Plant and Equipment

The carrying value of property, plant and equipment includes the fair value of the asset retirement obligation and has been reflected in the consolidated balance sheets at cost, net of accumulated depreciation.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(dollars in thousands, except as noted)

Property, plant and equipment, net of salvage value, are depreciated using the straight-line method at rates based on the estimated useful lives for the assets or groups of assets, beginning in the first month of operation following acquisition or completion. Alon capitalizes interest costs associated with major construction projects based on the effective interest rate on aggregate borrowings.

Leasehold improvements are depreciated on the straight-line method over the shorter of the contractual lease terms or the estimated useful lives.

Expenditures for major replacements and additions are capitalized. Refining and marketing segment and asphalt segment expenditures for routine repairs and maintenance costs are charged to direct operating expense as incurred. Retail segment routine repairs and maintenance costs are charged to selling, general and administrative expense as incurred. The applicable costs and accumulated depreciation of assets that are sold, retired, or otherwise disposed of are removed from the accounts and the resulting gain or loss is recognized.

(j) Impairment of Long-Lived Assets and Assets to be Disposed Of

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of an asset to future net cash flows expected to be generated by the asset. If the carrying value of an asset exceeds its expected future cash flows, an impairment loss is recognized based on the excess of the carrying value of the impaired asset over its fair value. These future cash flows and fair values are estimates based on management's judgment and assumptions. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs of disposition.

(k) Asset Retirement Obligations

The accounting standards established for asset retirement obligations apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset and requires companies to recognize a liability for the fair value of a legal obligation to perform asset retirement activities that are conditional on a future event, if the amount can be reasonably estimated (Note 12).

(l) Turnarounds and Chemical Catalysts Costs

Alon records the cost of planned major refinery maintenance, referred to as turnarounds, and chemical catalyst used in the refinery process units, which are typically replaced in conjunction with planned turnarounds, in "Other assets" in the consolidated balance sheets. Turnaround and catalyst costs are currently deferred and amortized on a straight-line basis beginning the month after the completion of the turnaround and ending immediately prior to the next scheduled turnaround. The amortization of deferred turnaround and chemical catalyst costs are presented in "Depreciation and amortization" in the consolidated statements of operations.

(m) Income Taxes

Alon accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Stock-Based Compensation

Alon uses the grant date fair value based method for calculating and accounting for stock-based compensation.

Stock compensation expense is presented as selling, general and administrative expenses in the consolidated statements of operations (Note 16).

(o) Environmental Expenditures

Alon accrues for costs associated with environmental remediation obligations when such costs are probable and can be reasonably estimated. Environmental liabilities represent the estimated costs to investigate and remediate contamination at Alon's properties. This estimate is based on internal and third-party assessments of the extent of the contaminations, the selected remediation technology and review of applicable environmental regulations.

Accruals for estimated costs from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of

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future expenditures for environmental remediation obligations are not discounted to their present value unless payments are fixed and determinable. Recoveries of environmental remediation costs from other parties are recorded as assets when the receipt is deemed probable (Note 20). Estimates are updated to reflect changes in factual information, available technology or applicable laws and regulations.

(p) Earnings Per Share

Earnings per share are computed by dividing net income (loss) available to common stockholders by the weighted average number of participating common shares outstanding during the reporting period. Diluted earnings per share are calculated to give effect to all potentially dilutive common shares that were outstanding during the period (Note 18).

(q) Other Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other gains and losses affecting stockholders' equity that, under United States generally accepted accounting principles, are excluded from net income (loss), such as defined benefit pension plan adjustments and gains and losses related to certain derivative instruments designated in qualifying hedging relationships. The balance in other comprehensive income (loss), net of tax reported in the consolidated statements of stockholders' equity consists of defined benefit pension plans, fair value of interest rate swap adjustments and the fair value of commodity derivative contract adjustments.

(r) Postretirement Benefits

Alon recognizes the overfunded or underfunded status of its defined benefit pension and postretirement plans as an asset or a liability in the statement of financial position and recognizes changes in that funded status through comprehensive income in the year the changes occur.

(s) Commitments and Contingencies

Liabilities for loss contingencies, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Recoveries of environmental remediation costs from third parties, which are probable of realization, are separately recorded as assets, and are not offset against the related environmental liability.

(t) Goodwill and Intangibles

Goodwill represents the excess of the cost of an acquired entity over the fair value of the assets acquired less liabilities assumed. Intangible assets are assets that lack physical substance (excluding financial assets). Goodwill acquired in a business combination and intangible assets with indefinite useful lives are not amortized and intangible assets with finite useful lives are amortized on a straight-line basis over 1 to 40 years. Goodwill and intangible assets not subject to amortization are tested for impairment annually or more frequently if events or changes in circumstances indicate the asset might be impaired. Alon uses December 31 of each year as the valuation date for annual impairment testing purposes.

(u) New Accounting Standards

In June 2011, the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 220, *Comprehensive Income*, were amended to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. Under either option, the entity is required to present reclassification adjustments on the face of the financial statement where those components are presented. These provisions are effective for the first interim or annual period beginning after December 15, 2011, and are to be applied retrospectively, with early adoption permitted. The adoption of this guidance did not affect Alon's financial position or results of operations because these requirements only affect the presentation of the financial statements and disclosures.

In December 2011, the provisions of FASB ASC 210, *Balance Sheet*, were amended to require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of these arrangements on its financial position. The update retains the existing offsetting requirements and enhances the disclosure requirements to allow investors to better compare financial statements prepared under U.S. GAAP with those prepared under International Financial Reporting Standards. These new revisions are to be applied retrospectively and will be effective for interim and annual periods beginning January 1, 2013. The adoption of this guidance will not affect Alon's financial position or results of operations because these requirements will only affect the presentation of the financial statements and disclosures.

In July 2012, the provisions of FASB ASC 350, *Intangibles - Goodwill and Other*, were amended to allow an entity the option to make a qualitative assessment about the likelihood that an indefinite-lived intangible asset is impaired to determine

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whether it should perform a quantitative impairment test. These provisions are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of this guidance will not affect Alon's financial position or results of operations.

(3) Acquisitions

Bakersfield Refinery Acquisition

On June 1, 2010, Alon completed the acquisition of the Bakersfield, California refinery ("Bakersfield refinery") from Big West of California, LLC, a subsidiary of Flying J, Inc. The aggregate purchase price was \$58,409 in cash, which included the purchase price of hydrocarbon inventories. In connection with the acquisition, an affiliate of Alon purchased certain refinery assets not installed at the Bakersfield refinery location for \$26,000. The remaining assets were purchased by Alon. Alon incurred \$550 of acquisition-related costs that were recognized in selling, general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2010.

Alon integrated the Bakersfield hydrocracker unit into its California operations to process vacuum gas oil produced at the other California locations. Alon had capital expenditures of approximately \$52,000 for the year ended December 31, 2011 to complete the necessary projects to integrate the Bakersfield hydrocracker unit. The newly integrated assets began operations late second quarter of 2011.

An acquirer is required to recognize and measure the goodwill acquired in a business combination or a gain from a bargain purchase. FASB ASC 805 defines a bargain purchase as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquiree, and it requires the acquirer to recognize that excess in earnings as a gain attributable to the acquirer.

The fair value of the assets acquired and liabilities assumed are as follows:

Current assets	\$ 17,033
Environmental receivable	17,122
Property, plant and equipment	69,403
Environmental liability	(42,122)
Other non-current liabilities	(11,547)
Fair value of net assets acquired	<u>49,889</u>
Less: Gain on bargain purchase	<u>(17,480)</u>
Total Consideration	<u>\$ 32,409</u>

In connection with the acquisition of the Bakersfield refinery, Alon recorded an accrued environmental remediation obligation of \$42,122. This amount was recorded as a non-current liability in Alon's consolidated balance sheet at the acquisition date.

Also in connection with the acquisition of the Bakersfield refinery, Alon entered into an indemnification agreement with a prior owner for remediation expenses of conditions that existed at the refinery on the acquisition date. Alon is required to make indemnification claims to the prior owner by March 15, 2015. The indemnification amount was \$17,122 and was recorded as a non-current receivable in the consolidated balance sheet at the acquisition date.

(4) Segment Data

Alon's revenues are derived from three operating segments: (i) refining and marketing, (ii) asphalt and (iii) retail. The reportable operating segments are strategic business units that offer different products and services. The segments are managed separately as each segment requires unique technology, marketing strategies and distinct operational emphasis. Each operating segment's performance is evaluated primarily based on operating income.

In the fourth quarter of 2012, based on a change in our internal reporting structure as a result of the Partnership's initial public offering, the branded marketing operations have been combined with the refining and marketing segment and are no longer included with the retail segment. Information for the branded marketing operations for the full year of 2012 is included in the refining and marketing segment. Information for the years ended December 31, 2011 and 2010 has been recast to provide a comparison to the current year results.

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Operating income (loss) for each segment consists of net sales less cost of sales, direct operating expenses, selling, general and administrative expenses, depreciation and amortization, and gain (loss) on disposition of assets. Intersegment sales are intended to approximate wholesale market prices. Consolidated totals presented are after intersegment eliminations.

Operations that are not included in any of the three segments are included in the corporate category. These operations consist primarily of corporate headquarters operating and depreciation expenses.

Total assets of each segment consist of net property, plant and equipment, inventories, cash and cash equivalents, accounts and other receivables and other assets directly associated with the segment's operations. Corporate assets consist primarily of corporate headquarters information technology and administrative equipment.

Segment data as of and for the years ended December 31, 2012, 2011 and 2010 are presented below:

	Refining and Marketing	Asphalt	Retail	Corporate	Consolidated Total
Year Ended December 31, 2012					
Net sales to external customers	\$ 6,505,927	\$ 603,896	\$ 907,918	\$ —	\$ 8,017,741
Intersegment sales/purchases	736,008	(244,010)	(491,998)	—	—
Depreciation and amortization	103,638	5,866	10,298	2,127	121,929
Operating income (loss)	254,372	(3,728)	21,918	(3,087)	269,475
Total assets	1,876,326	123,165	202,033	22,050	2,223,574
Turnaround, chemical catalyst and capital expenditures	79,572	9,420	14,141	2,228	105,361
Year Ended December 31, 2011					
Net sales to external customers	\$ 5,798,238	\$ 554,549	\$ 833,470	\$ —	\$ 7,186,257
Intersegment sales/purchases	760,387	(314,294)	(446,093)	—	—
Depreciation and amortization	90,701	6,376	14,728	1,925	113,730
Operating income (loss)	188,955	(24,519)	19,762	(2,677)	181,521
Total assets	2,010,309	116,936	188,925	14,212	2,330,382
Turnaround, chemical catalyst and capital expenditures	101,756	3,225	15,838	1,540	122,359
Year Ended December 31, 2010					
Net sales to external customers	\$ 2,965,011	\$ 399,334	\$ 666,398	\$ —	\$ 4,030,743
Intersegment sales/purchases	504,910	(198,662)	(306,248)	—	—
Depreciation and amortization	82,047	6,875	11,794	1,380	102,096
Operating income (loss)	(157,967)	(12,450)	11,768	(2,132)	(160,781)
Total assets	1,764,623	121,390	186,189	16,319	2,088,521
Turnaround, chemical catalyst and capital expenditures	52,450	1,557	3,496	2,335	59,838

(5) Fair Value

The carrying amounts of Alon's cash and cash equivalents, receivables, payables and accrued liabilities approximate fair value due to the short-term maturities of these assets and liabilities. The reported amounts of long-term debt approximate fair value. Derivative financial instruments are carried at fair value, which is based on quoted market prices.

Alon must determine fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As required, Alon utilizes valuation techniques that maximize the use of observable inputs (levels 1 and 2) and minimize the use of unobservable inputs (level 3) within the fair value hierarchy. Alon generally applies the "market approach" to determine fair value. This method uses pricing and other

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information generated by market transactions for identical or comparable assets and liabilities. Assets and liabilities are classified within the fair value hierarchy based on the lowest level (least observable) input that is significant to the measurement in its entirety.

The following table sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, in the consolidated balance sheets as of December 31, 2012 and 2011:

	Quoted Prices in Active Markets For Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Consolidated Total
As of December 31, 2012				
Assets:				
Commodity contracts (futures and forwards)	\$ 2,072	\$ —	\$ —	\$ 2,072
Commodity contracts (swaps)	—	1,514	—	1,514
Liabilities:				
Fair value hedges	—	1,720	—	1,720
As of December 31, 2011				
Assets:				
Commodity contracts (swaps)	\$ —	\$ 31,936	\$ —	\$ 31,936
Liabilities:				
Commodity contracts (futures and forwards)	78	—	—	78
Commodity contracts (call options)	—	9,268	—	9,268
Interest rate swap	—	4,197	—	4,197

(6) Derivative Financial Instruments

Mark to Market

Commodity Derivatives. Alon selectively utilizes commodity derivatives to manage its exposure to commodity price fluctuations and uses crude oil and refined product commodity derivative contracts to reduce risk associated with potential price changes on committed obligations. Alon does not speculate using derivative instruments. Credit risk on Alon's derivative instruments is mitigated by transacting with counterparties meeting established collateral and credit criteria.

Fair Value Hedges

Fair value hedges are used to hedge price volatility in certain refining inventories and firm commitments to purchase inventories. The level of activity for our fair value hedges is based on the level of our operating inventories. The gain or loss on a derivative instrument designated and qualifying as a fair value hedge, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, is recognized currently in income in the same period.

As of December 31, 2012, Alon has accounted for certain commodity contracts as fair value hedges with contract purchase volumes of 1,323 thousand barrels of crude oil with remaining contract terms through May 2018. During the year ended December 31, 2012, Alon recognized unrealized pre-tax losses of \$1,720 related to these transactions.

Cash Flow Hedges

To designate a derivative as a cash flow hedge, Alon documents at the inception of the hedge the assessment that the derivative will be highly effective in offsetting expected changes in cash flows from the item hedged. This assessment, which is updated at least quarterly, is generally based on the most recent relevant historical correlation between the derivative and the item hedged. If, during the term of the derivative, the hedge is determined to be no longer highly effective, hedge accounting is prospectively discontinued and any remaining unrealized gains or losses, based on the effective portion of the derivative at that date, are reclassified to earnings when the underlying transaction occurs.

Commodity Derivatives. As of December 31, 2012, Alon has accounted for certain commodity swap contracts as cash flow hedges with contract purchase volumes of 5,760 thousand barrels of crude and contract sales volumes of 5,760 thousand barrels of refined products with the longest remaining contract term of twelve months. During the year ended December 31, 2012, Alon recognized unrealized after-tax gains of \$968 related to these transactions in Other Comprehensive Income ("OCI"). There were no amounts reclassified from OCI into cost of sales as a result of the discontinuance of cash flow hedge accounting.

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In May 2008, as part of financing the acquisition of the Krotz Springs refinery, Alon entered into futures contracts for the forward purchase of crude oil and the forward sale of heating oil of 14,850 thousand barrels. These futures contracts were designated as cash flow hedges for accounting purposes. In the fourth quarter of 2008, Alon determined during its retrospective assessment of hedge effectiveness that the hedge was no longer highly effective. Cash flow hedge accounting was discontinued in the fourth quarter of 2008 and all changes in value subsequent to the discontinuance were recognized into earnings. An after-tax loss of \$4,496 was reclassified from equity to earnings for the year ended December 31, 2010.

For the years ended December 31, 2012 and 2011, there was no hedge ineffectiveness recognized in income. No component of the derivative instruments' gains or losses was excluded from the assessment of hedge effectiveness.

Interest Rate Derivatives. Alon selectively utilizes interest rate related derivative instruments to manage its exposure to floating-rate debt instruments. Alon periodically uses interest rate swap agreements to manage its floating to fixed rate position by converting certain floating-rate debt to fixed-rate debt. As of December 31, 2012, Alon did not have any outstanding interest rate swap agreements.

For cash flow hedges, gains and losses reported in equity are reclassified into interest expense when the forecasted transaction affects income. During the years ended December 31, 2012 and 2011, Alon recognized in equity unrealized after-tax gains of \$2,728 and \$2,147, respectively, for the fair value measurement of the interest rate swap agreements. During the year ended December 31, 2012, the remaining unrealized balance was reclassified from equity into interest expense.

The following table presents the effect of derivative instruments on the consolidated statements of financial position.

	As of December 31, 2012			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Derivatives not designated as hedging instruments:				
Commodity contracts (futures and forwards)	Accounts receivable	\$ 2,743	Accrued liabilities	\$ (671)
Total derivatives not designated as hedging instruments		<u>\$ 2,743</u>		<u>\$ (671)</u>
Derivatives designated as hedging instruments:				
Commodity contracts (swaps)	Accounts receivable	\$ 2,287	Accrued liabilities	\$ (773)
Fair value hedges		—	Other non-current liabilities	(1,720)
Total derivatives designated as hedging instruments		<u>2,287</u>		<u>(2,493)</u>
Total derivatives		<u>\$ 5,030</u>		<u>\$ (3,164)</u>

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	As of December 31, 2011			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Derivatives not designated as hedging instruments:				
Commodity contracts (swaps)	Accounts receivable	\$ 32,678	Accrued liabilities	\$ (742)
Commodity contracts (call options)		—	Accrued liabilities	(9,268)
Commodity contracts (futures and forwards)	Accounts receivable	809	Accrued liabilities	(887)
Total derivatives not designated as hedging instruments		\$ 33,487		\$ (10,897)
Derivatives designated as hedging instruments:				
Interest rate swap		\$ —	Other non-current liabilities	\$ (4,197)
Total derivatives designated as hedging instruments		—		(4,197)
Total derivatives		\$ 33,487		\$ (15,094)

The following tables present the effect of derivative instruments on Alon's consolidated statements of operations and accumulated other comprehensive income.

Derivatives designated as hedging instruments:

Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Gain (Loss) Reclassified from Accumulated OCI into Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		Location	Amount	Location	Amount
For the Year Ended December 31, 2012					
Commodity contracts (swaps)	\$ 1,514	Cost of sales	\$ (76,097)		\$ —
Interest rate swap	4,197	Interest expense	(4,065)		—
Total derivatives	\$ 5,711		\$ (80,162)		\$ —
For the Year Ended December 31, 2011					
Interest rate swap	\$ 3,304	Interest expense	\$ (4,074)		\$ —
Total derivatives	\$ 3,304		\$ (4,074)		\$ —
For the Year Ended December 31, 2010					
Commodity contracts (swaps)	\$ —	Cost of sales	\$ (7,174)		\$ —
Interest rate swap	9,432	Interest expense	(13,381)		—
Total derivatives	\$ 9,432		\$ (20,555)		\$ —

Derivatives in fair value hedging relationships:

	Location	Gain (Loss) Recognized in Income		
		Year Ended December 31,		
		2012	2011	2010
Fair value hedges	Cost of sales	\$ (1,720)	\$ —	\$ —
Total derivatives		\$ (1,720)	\$ —	\$ —

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Derivatives not designated as hedging instruments:

	Location	Gain (Loss) Recognized in Income		
		Year Ended December 31,		
		2012	2011	2010
Commodity contracts (futures & forwards)	Cost of sales	\$ 15,640	\$ 3,032	\$ 6,986
Commodity contracts (swaps)	Cost of sales	(22,075)	(1,896)	(597)
Commodity contracts (swaps)	Unrealized gains (losses) on commodity swaps	(31,936)	31,936	—
Commodity contracts (call options)	Other income (loss), net	(7,297)	(36,280)	(4,119)
Total derivatives		<u>\$ (45,668)</u>	<u>\$ (3,208)</u>	<u>\$ 2,270</u>

(7) Accounts and Other Receivables

Financial instruments that potentially subject Alon to concentration of credit risk consist primarily of trade accounts receivables. Credit risk is minimized as a result of the ongoing credit assessment of Alon's customer base and a lack of concentration in Alon's customer base. Alon performs ongoing credit evaluations of its customers and requires letters of credit, prepayments or other collateral or guarantees as management deems appropriate. Valero Energy Corporation ("Valero") and J. Aron & Company ("J. Aron") each accounted for more than 10% of Alon's net sales for the years ended December 31, 2012, 2011 and 2010. Alon's allowance for doubtful accounts is reflected as a reduction of accounts and other receivables in the consolidated balance sheets.

Accounts and other receivables consisted of the following:

	December 31,	
	2012	2011
Trade accounts receivable	\$ 162,424	\$ 197,417
Other receivables	21,791	47,214
Total accounts and other receivables	<u>\$ 184,215</u>	<u>\$ 244,631</u>

The following table sets forth the allowance for doubtful accounts for the years ended December 31, 2012, 2011 and 2010:

	Balance at Beginning of Period	Additions Charged to Expense	Deductions (1)	Balance at End of Period
2012	\$ 437	146	—	\$ 583
2011	\$ 22,321	—	(21,884)	\$ 437
2010	\$ 23,867	(35)	(1,511)	\$ 22,321

(1) Amounts written off net of recoveries. The 2011 deduction is related to the write-off of the SEMGroup, LP bankruptcy amounts charged to expense in 2009 and 2008.

(8) Inventories

Alon's inventories (including inventory consigned to others) are stated at the lower of cost or market. Cost is determined under the last-in, first-out (LIFO) method for crude oil, refined products, asphalt, and blendstock inventories. Materials and supplies are stated at average cost. Cost for convenience store merchandise inventories is determined under the retail inventory method and cost for convenience store fuel inventories is determined under the first-in, first-out (FIFO) method.

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Carrying value of inventories consisted of the following:

	As of December 31,	
	2012	2011
Crude oil, refined products, asphalt and blendstocks	\$ 40,068	\$ 37,159
Crude oil inventory consigned to others	91,876	62,489
Materials and supplies	21,919	21,491
Store merchandise	22,139	19,322
Store fuel	7,917	6,811
Total inventories	<u>\$ 183,919</u>	<u>\$ 147,272</u>

Crude oil, refined products, asphalt and blendstock inventories totaled 1,964 thousand barrels and 1,838 thousand barrels as of December 31, 2012 and 2011, respectively. A reduction of inventory volumes during 2012, 2011 and 2010 resulted in a liquidation of LIFO inventory layers carried at lower costs which prevailed in previous years. The liquidation decreased cost of sales by approximately \$13,572 in 2012, \$59,332 in 2011 and \$18,619 in 2010.

Market values of crude oil, refined products, asphalt and blendstock inventories exceeded LIFO costs by \$58,213 and \$93,401 at December 31, 2012 and 2011, respectively.

Alon recorded liabilities associated with this consigned inventory of \$115,955 in other non-current liabilities at December 31, 2012, and \$26,389 in accounts payable and \$58,328 in other non-current liabilities at December 31, 2011.

Additionally, Alon recorded accounts receivable of \$5,878 and accrued liabilities of \$117 at December 31, 2012 and 2011, respectively, for forward commitments related to month-end consignment inventory target levels differing from projected levels and the associated pricing with these inventory level differences.

(9) Inventory Financing Agreements

Alon has entered into supply and offtake agreements with J. Aron & Co. ("J. Aron"), to support the operations of the Big Spring, Krotz Springs and California refineries (the "Supply and Offtake Agreements"). Pursuant to the Supply and Offtake Agreements, (i) J. Aron agreed to sell to Alon, and Alon agreed to buy from J. Aron, at market price, crude oil for processing at the refineries and (ii) Alon agreed to sell, and J. Aron agreed to buy, at market price, certain refined products produced at the refineries.

In connection with the execution of the Supply and Offtake Agreements, Alon also entered into agreements that provided for the sale, at market prices, of Alon's crude oil and certain refined product inventories to J. Aron, the lease to J. Aron of crude oil and refined product storage facilities, and an agreement to identify prospective purchasers of refined products on J. Aron's behalf. The Supply and Offtake Agreements, as amended, have initial terms that expire in May 2018. J. Aron may elect to terminate the agreements prior to the initial term in May 2015 and upon each anniversary thereof provided Alon receives notice of termination at least six months prior to that date. Alon may elect to terminate in May 2017, provided Alon gives notice of termination at least six months prior to that date.

In February 2013, the Supply and Offtake Agreements were further amended and have initial terms that expire in May 2019. J. Aron may elect to terminate the agreements prior to the initial term in May 2016 and upon each anniversary thereof provided Alon receives notice of termination at least six months prior to that date. Alon may elect to terminate the agreements in May 2018, provided Alon gives notice of termination at least six months prior to that date.

Following expiration or termination of the Supply and Offtake Agreements, Alon is obligated to purchase the crude oil and refined product inventories then owned by J. Aron and located at the leased storage facilities at market prices at that time.

In association with the supply and offtake agreement at the Krotz Springs refinery, Alon entered into a secured Credit Agreement (the "Krotz Springs Standby LC Facility") by and between Alon, as Borrower, and Goldman Sachs Bank USA, as Issuing Bank. The Krotz Springs Standby LC Facility provides for up to \$200,000 of letters of credit to be issued to J. Aron. Obligations under the Krotz Springs Standby LC Facility are secured by a first priority lien on the existing and future accounts receivable and inventory of Alon Refining Krotz Springs, Inc. and its subsidiaries ("ARKS"), a wholly owned subsidiary of Alon. The Krotz Springs Standby LC Facility includes customary events of default and restrictions on the activities of ARKS. The Krotz Springs Standby LC Facility contains no maintenance financial covenants. At this time there is no further availability under the Standby LC Facility.

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At December 31, 2012 and 2011, Alon had net current payables to J. Aron for purchases of \$37,940 and \$14,905, respectively, and a consignment inventory receivable representing a deposit paid to J. Aron of \$26,179 and \$12,496, respectively, recorded in other assets. Alon had other non-current liabilities of \$115,955 at December 31, 2012 and current payables of \$26,389 and other non-current liabilities of \$58,328 at December 31, 2011.

(10) Property, Plant and Equipment, Net

Property, plant and equipment, net consisted of the following:

	As of December 31,	
	2012	2011
Refining facilities	\$ 1,781,701	\$ 1,718,792
Pipelines and terminals	43,445	43,414
Retail	164,998	147,679
Other	14,296	18,685
Property, plant and equipment, gross	2,004,440	1,928,570
Less accumulated depreciation	(511,947)	(423,700)
Property, plant and equipment, net	<u>\$ 1,492,493</u>	<u>\$ 1,504,870</u>

The useful lives on depreciable assets used to determine depreciation expense were as follows:

Refining facilities	3 – 20 years; average 18 years
Pipelines and terminals	5 – 25 years; average 23 years
Retail	5 – 40 years; average 8 years
Other	3 – 15 years; average 5 years

Alon capitalized interest of \$2,640, \$2,273 and \$1,004 for the years ended December 31, 2012, 2011 and 2010, respectively. Depreciation expense for the years ended December 31, 2012, 2011 and 2010 was \$103,134, \$94,567 and \$88,066, respectively.

(11) Other Assets

Other assets consisted of the following:

	As of December 31,	
	2012	2011
Deferred turnaround and chemical catalyst cost	\$ 15,978	\$ 20,998
Environmental receivables	13,563	17,369
Deferred debt issuance costs	14,705	12,354
Intangible assets, net	9,384	7,418
Receivable from supply agreements	26,179	12,496
Other, net	14,849	19,254
Total other assets	<u>\$ 94,658</u>	<u>\$ 89,889</u>

Debt issuance costs are amortized over the term of the related debt using the effective interest method. Amortization of debt issuance costs was \$6,296, \$6,493, and \$5,825 for the years ended December 31, 2012, 2011 and 2010, respectively, and is recorded as interest expense in the consolidated statements of operations. Additionally, \$8,826 and \$6,659 of unamortized debt issuance costs were written off in 2012 and 2010, respectively (Note 14). Unamortized debt issuance costs written off in 2012 were related to the prepayment of the Alon Energy Term Loan. Unamortized debt issuance costs written off in 2010 were related to the prepayment of the Alon Refining Krotz Springs, Inc. revolving credit facility in the first quarter of 2010.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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(12) Accrued Liabilities and Other Non-Current Liabilities

Accrued liabilities and other non-current liabilities consisted of the following:

	As of December 31,	
	2012	2011
Accrued Liabilities:		
Taxes other than income taxes, primarily excise taxes	\$ 37,888	\$ 32,892
Employee costs	18,995	11,368
Commodity contracts	1,444	10,897
Accrued finance charges	11,633	10,902
Environmental accrual	6,730	6,292
Other	25,889	19,065
Total accrued liabilities	<u>\$ 102,579</u>	<u>\$ 91,416</u>
Other Non-Current Liabilities:		
Pension and other postemployment benefit liabilities, net	\$ 58,270	\$ 46,493
Environmental accrual (Note 20)	54,672	59,171
Asset retirement obligations	11,867	11,442
Interest rate swap valuations	—	4,197
Consignment inventory	115,955	58,328
Other	14,182	12,434
Total other non-current liabilities	<u>\$ 254,946</u>	<u>\$ 192,065</u>

Alon has asset retirement obligations with respect to its refineries due to various legal obligations to clean and/or dispose of these assets at the time they are retired. However, the majority of these assets can be used for extended and indeterminate periods of time provided that they are properly maintained and/or upgraded. It is Alon's practice and intent to continue to maintain these assets and make improvements based on technological advances. When a date or range of dates can reasonably be estimated for the retirement of these assets or any component part of these assets, Alon will estimate the cost of performing the retirement activities and record a liability for the fair value of that cost using established present value techniques.

Alon has recorded asset retirement obligations for the removal of underground storage tanks and the removal of brand signage at Alon's owned and leased retail sites. The asset retirement obligation for storage tank removal on leased retail sites is accreted over the expected life of the underground storage tank which approximates the average retail site lease term.

The following table summarizes the activity relating to the asset retirement obligations for the years ended December 31, 2012 and 2011:

	As of December 31,	
	2012	2011
Balance at beginning of year	\$ 11,442	\$ 10,932
Accretion expense	501	534
Additional accretion due to change in risk free interest rate	—	—
Retirements	(98)	(24)
Additions	22	—
Balance at end of year	<u>\$ 11,867</u>	<u>\$ 11,442</u>

(13) Postretirement Benefits

(a) Retirement Plans

Alon has four defined benefit pension plans covering substantially all of its employees, excluding employees of SCS. The benefits are based on years of service and the employee's final average monthly compensation. Alon's funding policy is to contribute annually not less than the minimum required nor more than the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those benefits expected to be earned in the future.

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The measurement dates used to determine pension benefit measures for the pension plan is December 31, 2012 and 2011. Financial information related to Alon's pension plans is presented below.

	Pension Benefits	
	2012	2011
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 88,244	\$ 73,158
Service cost	3,577	4,007
Interest cost	4,128	4,139
Actuarial loss	18,018	9,383
Benefits paid	(2,436)	(2,443)
Projected benefit obligations at end of year	<u>\$ 111,531</u>	<u>\$ 88,244</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 46,142	\$ 43,322
Actual gain (loss) on plan assets	7,128	(562)
Employer contribution	6,796	5,825
Benefits paid	(2,436)	(2,443)
Fair value of plan assets at end of year	<u>\$ 57,630</u>	<u>\$ 46,142</u>
Reconciliation of funded status:		
Fair value of plan assets at end of year	\$ 57,630	\$ 46,142
Less projected benefit obligations at end of year	111,531	88,244
Under-funded status at end of year	<u>\$ (53,901)</u>	<u>\$ (42,102)</u>

The pre-tax amounts related to the defined benefit plans recognized in the consolidated balance sheets as of December 31, 2012 and 2011 were as follows:

	Pension Benefits	
	2012	2011
Amounts recognized in the consolidated balance sheets:		
Pension benefit liability	\$ (53,901)	\$ (42,102)

The pre-tax amounts in accumulated other comprehensive income (loss) as of December 31, 2012 and 2011 that have not yet been recognized as components of net periodic benefit cost were as follows:

	Pension Benefits	
	2012	2011
Net actuarial loss	\$ (55,156)	\$ (42,606)
Prior service credit	378	429
Total	<u>\$ (54,778)</u>	<u>\$ (42,177)</u>

The following amounts included in accumulated other comprehensive income (loss) as of December 31, 2012 are expected to be recognized as components of net periodic benefit cost during the year ending December 31, 2013:

	Pension Benefits
Amortization of prior service cost (credit)	\$ 24
Amortization of loss	2,558
Total	<u>\$ 2,582</u>

As of December 31, 2012 and 2011, the accumulated benefit obligation for each of Alon's pension plans was in excess of the fair value of plan assets. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans were as follows:

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	As of December 31,	
	2012	2011
Projected benefit obligation	\$ 111,531	\$ 88,244
Accumulated benefit obligation	99,114	83,965
Fair value of plan assets	57,630	46,142

The weighted-average assumptions used to determine benefit obligations at December 31, 2012, 2011 and 2010 were as follows:

	Pension Benefits		
	2012	2011	2010
Discount rate	4.00%	4.75%	5.75%
Rate of compensation increase	3.00%	1.50%	2.50%

The discount rate used reflects the expected future cash flow based on Alon's funding valuation assumptions and participant data as of the beginning of the plan year. The expected future cash flow is discounted by the Principal Pension Discount Yield Curve for the fiscal year end because it has been specifically designed to help pension funds comply with statutory funding guidelines.

The weighted-average assumptions used to determine net periodic benefit costs for the years ended December 31, 2012, 2011 and 2010 were as follows:

	Pension Benefits		
	2012	2011	2010
Discount rate	4.75%	5.75%	5.93%
Expected return on plan assets	8.60%	8.25%	9.00%
Rate of compensation increase	1.50%	2.50%	2.50%

Alon's overall expected long-term rate of return on assets is 9.0%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The components of net periodic benefit cost for the years and periods are as follows:

	Pension Benefits		
	Year Ended December 31,		
	2012	2011	2010
Components of net periodic benefit cost:			
Service cost	\$ 3,577	\$ 4,007	\$ 4,073
Interest cost	4,128	4,139	3,784
Amortization of prior service costs	24	(58)	(58)
Expected return on plan assets	(4,305)	(3,731)	(3,619)
Recognized net actuarial loss	2,558	1,849	1,599
Net periodic benefit cost	<u>\$ 5,982</u>	<u>\$ 6,206</u>	<u>\$ 5,779</u>

Plan Assets

The weighted-average asset allocation of Alon's pension benefits at December 31, 2012 and 2011 was as follows:

Asset Category:	Pension Benefits	
	Plan Assets	
	2012	2011
Equity securities	79.3%	77.7%
Debt securities	10.2%	11.7%
Real estate investment trust	10.5%	10.6%
Total	<u>100.0%</u>	<u>100.0%</u>

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The fair value of Alon's pension assets by category as of December 31, 2012 and 2011 were as follows:

	Quoted Prices in Active Markets For Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Consolidated Total
Year Ended December 31, 2012				
Equity securities:				
U.S. companies	\$ 36,292	\$ —	\$ —	\$ 36,292
International companies	9,157	—	—	9,157
Debt securities:				
Preferred securities	3,085	—	—	3,085
Bond & mortgage backed securities	—	3,073	—	3,073
Real estate securities	6,023	—	—	6,023
Total	<u>\$ 54,557</u>	<u>\$ 3,073</u>	<u>\$ —</u>	<u>\$ 57,630</u>
Year Ended December 31, 2011				
Equity securities:				
U.S. companies	\$ 29,239	\$ —	\$ —	\$ 29,239
International companies	6,599	—	—	6,599
Debt securities:				
Preferred securities	2,593	—	—	2,593
Bond & mortgage backed securities	—	2,812	—	2,812
Real estate securities	4,899	—	—	4,899
Total	<u>\$ 43,330</u>	<u>\$ 2,812</u>	<u>\$ —</u>	<u>\$ 46,142</u>

The investment policies and strategies for the assets of Alon's pension benefits is to, over a five year period, provide returns in excess of the benchmark. The portfolio is expected to earn long-term returns from capital appreciation and a stable stream of current income. This approach recognizes that assets are exposed to price risk and the market value of the plans' assets may fluctuate from year to year. Risk tolerance is determined based on Alon's specific risk management policies. In line with the investment return objective and risk parameters, the plans' mix of assets includes a diversified portfolio of equity, fixed-income and real estate investments. Equity investments include domestic and international stocks of various sizes of capitalization. The asset allocation of the plan is reviewed on at least an annual basis.

Cash Flows

Alon contributed \$6,796 and \$5,825 to the pension plan for the years ended December 31, 2012 and 2011, respectively, and expects to contribute \$5,924 to the pension plan in 2013. There were no employee contributions to the plans.

The benefits expected to be paid in each year 2013 – 2017 are \$3,087; \$3,901; \$3,646; \$4,055 and \$4,360, respectively. The aggregate benefits expected to be paid in the five years from 2018 – 2022 are \$27,260. The expected benefits are based on the same assumptions used to measure Alon's benefit obligation at December 31, 2012 and include estimated future employee service.

401(k) Savings Plans

Alon sponsors a 401(k) savings plan that is available to all employees, excluding employees of the retail segment. Alon matches 100% of individual participant contributions up to 3% of compensation. In 2012, Alon revised its 401(k) savings plan that is available to certain employees represented by a union at our Big Spring refinery, in which Alon matches individual participant contributions up to 8% of compensation. Alon's contribution for the years ended December 31, 2012 and 2011 was \$2,289 and \$1,472, respectively.

Alon sponsors a 401(k) savings plan that is available to the employees of Alon's retail segment. Retail employees may contribute up to 50% of their pay after completing three months of service. Alon matches from 1% to 4.5% of employee compensation. Alon's contribution for the years ended December 31, 2012 and 2011 was \$819 and \$648, respectively.

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(b) Postretirement Medical Plan

In addition to providing pension benefits, Alon adopted an unfunded postretirement medical plan covering certain health care and life insurance benefits (other benefits) for active and certain retired employees who meet eligibility requirements in the plan documents. The health care benefits in excess of certain limits are insured. The accrued benefit liability reflected in the consolidated balance sheets was \$5,068 and \$4,827 at December 31, 2012 and 2011, respectively, related to this plan.

As of December 31, 2012, the total accumulated postretirement benefit obligation under the postretirement medical plan was \$5,068.

(14) Indebtedness

Debt consisted of the following:

	As of December 31,	
	2012	2011
Term loan credit facility	\$ 246,311	\$ 425,250
Revolving credit facilities	49,000	308,341
Senior secured notes	211,573	209,324
Retail credit facilities	80,133	107,281
Total debt	587,017	1,050,196
Less current portion	(9,504)	(119,874)
Total long-term debt	<u>\$ 577,513</u>	<u>\$ 930,322</u>

(a) Alon USA Energy, Inc. Credit Facilities

2006 Term Loan Credit Facility. In June 2006, Alon entered into a \$450,000 term loan (“2006 Term Loan”). The 2006 Term Loan required principal repayments of \$4,500 per annum paid in quarterly installments until maturity in August 2013. In November 2012, Alon repaid in full its obligations under the 2006 Term Loan. As a result of the prepayment of the 2006 Term Loan, a write-off of unamortized debt issuance costs of \$1,459 is included in interest expense on the consolidated statements of operations for the year ended December 31, 2012.

At December 31, 2011, the 2006 Term Loan had an outstanding balance of \$425,250.

Alon USA Term Loan Credit Facility. In November 2012, Alon entered into a term loan (“Alon USA Term Loan”) with an aggregate principal amount of \$450,000, issued at an offering price of 95%, that will mature in November 2018. Proceeds from the Alon USA Term Loan were used to repay in full Alon's obligations under the 2006 Term Loan and for general corporate purposes.

In connection with the closing of the Partnership's initial public offering in November 2012 (the "Offering"), Alon assigned \$250,000 of the aggregate principal balance of the Alon USA Term Loan to the Partnership.

Alon used primarily proceeds from the Offering to fully repay the remaining outstanding balance of the Alon USA Term Loan.

As a result of the prepayment of the Alon USA Term Loan, write-offs of unamortized original issuance discount and debt issuance costs of \$18,750 and \$7,367, respectively, are included in interest expense on the consolidated statements of operations for the year ended December 31, 2012.

Letter of Credit Facility. In March 2010, Alon entered into an unsecured credit facility with Israel Discount Bank of New York (the “Alon Energy Letter of Credit Facility”) for the issuance of letters of credit in an amount not to exceed \$60,000 with a sub-limit for borrowings not to exceed \$30,000. This facility will terminate in March 2013. The Alon Energy Letter of Credit Facility contains certain restrictive covenants including maintenance financial covenants. Borrowings under this facility bear interest at the Eurodollar rate plus 3.00% per annum subject to an overall minimum interest rate of 4.00%.

At December 31, 2012 and 2011, Alon had outstanding letters of credit under this facility of \$59,485 and \$47,561, respectively.

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(b) Alon USA Partners, LP Credit Facility

Partnership Term Loan Credit Facility. In connection with the Offering, the Partnership was assigned \$250,000 of the aggregate principal balance of the Alon USA Term Loan (the “Partnership Term Loan”). The Partnership Term Loan requires principal payments of \$2,500 per annum paid in quarterly installments until maturity in November 2018.

Borrowings under the Partnership Term Loan bear interest at a rate equal to the sum of (i) the Eurodollar rate (with a floor of 1.25% per annum) plus (ii) a margin of approximately 8.00% per annum for a per annum rate of approximately 9.25%, based on current market rates at December 31, 2012.

The Partnership Term Loan is secured by a first priority lien on all of the Partnership’s fixed assets and other specified property, as well as on the general partner interest in the Partnership held by the General Partner, and a second lien on the Partnership’s cash, accounts receivables, inventories and related assets.

The Partnership Term Loan contains restrictive covenants, such as restrictions on liens, mergers, consolidations, sales of assets, additional indebtedness, different businesses, certain lease obligations and certain restricted payments. The Partnership Term Loan does not contain any maintenance financial covenants.

At December 31, 2012, the Partnership Term Loan had an outstanding balance (net of unamortized discount) of \$246,311.

Revolving Credit Facility. Alon has a \$240,000 revolving credit facility (the “Alon USA LP Credit Facility”) that will mature in March 2016. The Alon USA LP Credit Facility can be used both for borrowings and the issuance of letters of credit subject to a limit of the lesser of the facility amount or the borrowing base amount under the facility.

Borrowings under the Alon USA LP Credit Facility bear interest at the Eurodollar rate plus 3.50% per annum subject to an overall minimum interest rate of 4.00%.

The Alon USA LP Credit Facility is secured by (i) a first lien on cash, accounts receivables, inventories and related assets and (ii) a second lien on fixed assets and other specified property, in each case, excluding those of Alon Paramount Holdings, Inc. (“Alon Holdings”) and its subsidiaries other than Alon Pipeline Logistics, LLC (“Alon Logistics”), the subsidiaries established in conjunction with the Krotz Springs refinery acquisition, the subsidiaries established in conjunction with the Bakersfield refinery acquisition and our retail subsidiaries.

The Alon USA LP Credit Facility contains certain restrictive covenants including maintenance financial covenants.

Borrowings of \$49,000 and \$200,000 were outstanding under the Alon USA LP Credit Facility at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, outstanding letters of credit under the Alon USA LP Credit Facility were \$58,759 and \$35,509, respectively.

(c) Paramount Petroleum Corporation Credit Facility

Revolving Credit Facility. Paramount Petroleum Corporation had a \$300,000 million revolving credit facility. In February 2012, Alon repaid in full its obligations under the revolving credit facility.

At December 31, 2011, borrowings of \$108,341 were included in current portion of long-term debt, and outstanding letters of credit were \$17,996.

(d) Alon Refining Krotz Springs, Inc. Credit Facilities

Senior Secured Notes. In October 2009, ARKS issued 13.50% senior secured notes (the “Senior Secured Notes”) in aggregate principal amount of \$216,500 in a private offering. In February 2010, ARKS exchanged \$216,500 of Senior Secured Notes for an equivalent amount of Senior Secured Notes (“Exchange Notes”) registered under the Securities Act of 1933. The Exchange Notes will mature on October 15, 2014 and the entire principal amount is due at maturity. Interest is payable semi-annually in arrears on April 15 and October 15. The Exchange Notes are substantially identical to the Senior Secured Notes, except that the Exchange Notes have been registered with the Securities and Exchange Commission and are not subject to transfer restrictions. The Senior Secured Notes were issued at an offering price of 94.857% and ARKS received gross proceeds of \$205,365 (before fees and expenses related to the offering).

The terms of the Senior Secured Notes are governed by an indenture (the “Indenture”) and the obligations under the Indenture are secured by a first priority lien on ARKS' property, plant and equipment and a second priority lien on ARKS' cash, accounts receivable and inventory.

The Indenture contains restrictive covenants such as restrictions on loans, mergers, sales of assets, additional indebtedness and restricted payments. The Indenture does not contain any maintenance financial covenants.

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At December 31, 2012 and 2011, the Senior Secured Notes had an outstanding balance (net of unamortized discount) of \$211,573 and \$209,324, respectively. ARKS is utilizing the effective interest method to amortize the original issue discount over the life of the Senior Secured Notes.

(e) Retail Credit Facilities

Alon Brands Term Loans. In March 2011, Alon Brands issued \$30,000 five-year unsecured notes (the "Alon Brands Term Loans") to a group of investors including certain shareholders of Alon Israel and their affiliates. In conjunction with the issuance of the Alon Brands Term Loans, we issued 3,092,783 warrants to purchase shares of Alon's common stock. The allocated fair value of the warrants was \$10,988 and was recorded as additional paid-in capital at the time of issuance.

In March 2012, Alon issued \$30,000 of 8.5% Series B Convertible Preferred Stock to the holders of the Alon Brands Term Loans and repaid in full its obligations under the Alon Brands Term Loans. Also as part of the transaction, the warrants issued in conjunction with the Alon Brands Term Loans were surrendered to Alon. As the Alon Brands Term Loans were originally issued at a discount, the remaining \$9,624 of unamortized original issuance discount was charged to interest expense in the consolidated statements of operations for the year ended December 31, 2012.

At December 31, 2011, the Alon Brands Term Loans had an outstanding balance (net of unamortized discount) of \$20,116.

Term Credit Agreement. Southwest Convenience Stores, LLC ("SCS") is party to a credit agreement (the "SCS Credit Agreement") that, as amended, matures in December 2015. In December 2010, SCS entered into an amendment to the SCS Credit Agreement, which increased the amount outstanding from \$73,361 ("SCS Refinancing Term Loan") by \$10,000 ("SCS Additional Term Loan") and also included a revolving credit loan ("SCS Revolving Credit Loan") with a maximum loan amount of the lesser of the borrowing base or \$10,000.

Borrowings under the SCS Refinancing Term Loan bear interest at a Eurodollar rate plus 2.00% per annum with principal payments made in quarterly installments based on a 15-year amortization schedule. Borrowings under the SCS Additional Term Loan bear interest at a Eurodollar rate plus 2.75% per annum with principal payments made in quarterly installments based on a 5-year amortization schedule. Borrowings under the SCS Revolving Credit Loan bear interest at a Eurodollar rate plus 2.75% per annum.

The obligations under the SCS Credit Agreement are secured by a pledge of substantially all of the assets of SCS and Skinny's, LLC and each of their subsidiaries, including cash, accounts receivable and inventory. The SCS Credit Agreement contains certain restrictive covenants including maintenance financial covenants.

At December 31, 2012 and 2011, the SCS Credit Agreement had an outstanding balance under the term loans of \$69,580 and \$76,470, respectively. At December 31, 2012 and 2011, the SCS Revolving Credit Loan had an outstanding balance of \$10,000 and \$10,000, respectively.

(f) Other Retail Related Credit Facilities

In 2003, Alon obtained \$1,545 in mortgage loans to finance the acquisition of new retail locations. The interest rates on these loans ranged between 5.5% and 9.7%, with 5 to 15 year payment terms. At December 31, 2012 and 2011, the outstanding balances were \$553 and \$695, respectively.

(g) Financial Covenants

Alon has certain credit facilities that contain restrictive covenants, including maintenance financial covenants. At December 31, 2012, Alon was in compliance with these covenants.

(h) Maturity of Long-Term Debt

The aggregate scheduled maturities of long-term debt for each of the five years subsequent to December 31, 2012 are as follows:

2013	\$	9,504
2014		221,041
2015		68,381
2016		51,571
2017		2,565
2018 and thereafter		233,955
Total	\$	<u>587,017</u>

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(i) Interest and Financing Expense

Interest and financing expense included the following:

	Year Ended December 31,		
	2012	2011	2010
Interest expense	\$ 57,987	\$ 57,569	\$ 64,273
Letters of credit and finance charges	28,159	23,471	17,501
Amortization of debt issuance costs	6,296	6,493	5,825
Write-off of debt issuance costs	8,826	—	6,659
Amortization of original issuance discount	2,570	3,050	1,685
Write-off of original issuance discount	28,374	—	—
Capitalized interest	(2,640)	(2,273)	(1,004)
Total interest expense	<u>\$ 129,572</u>	<u>\$ 88,310</u>	<u>\$ 94,939</u>

(15) Stockholders' Equity

(a) Common stock (share value in dollars)

The authorized common stock of Alon consists of 150,000,000 shares of common stock, \$0.01 par value. Issued and outstanding shares of common stock were 61,272,429 and 56,107,986 as of December 31, 2012 and 2011, respectively.

Standby Equity Distribution Agreement. In January 2011, Alon entered into a Standby Equity Distribution Agreement (the "SEDA") with YA Global Master SPV Ltd. ("YA Global") to purchase up to \$25,000 of Alon USA Energy, Inc. common stock ("Common Stock"). At any time during the effective period of the agreement, Alon may require YA Global to purchase shares of Common Stock by delivering an advance notice (as provided for in the SEDA) to YA Global. The purchase price of the Common Stock is 98.5% of the market price during the five consecutive trading days after the receipt of the advance notice is provided to YA Global. In no event shall the number of shares of Common Stock owned by YA Global and its affiliates exceed 4.99% of the outstanding Common Stock at that time. The SEDA expired in January 2013. During 2011, Alon sold Common Stock with total proceeds of \$11,900.

Warrants. In conjunction with the issuance of the Alon Brands Term Loans, Alon issued 3,092,783 warrants to purchase shares of Alon USA Energy, Inc. common stock at an initial exercise price per share of \$9.70. In conjunction with the repayment of the Alon Brands Term Loans in March 2012, all warrants were surrendered to Alon.

Amended Shareholder Agreement. In 2011, an agreement was reached with one of the non-controlling interest shareholders of Alon Assets, Inc. ("Alon Assets") and Alon USA Operating, Inc. ("Alon Operating"), whereby the participant would exchange 2,019 shares of Alon Assets and 758 shares of Alon Operating ratably over a three year period for up to 377,710 shares of Alon's common stock. One-third of the Alon Assets and Alon Operating shares were exchanged in each of October 2012 and October 2011, and the remaining one-third will be exchanged in October 2013.

In 2012, Alon signed agreements with the remaining non-controlling interest shareholders of Alon Assets and Alon Operating. Alon has the right to exchange 581,699 shares of its common stock over a period of 12 quarters and 2,326,946 shares of its common stock over a period of 20 quarters, beginning July 2012, for 15,549.3 shares of Alon Assets and 5,839.1 shares of Alon Operating.

In 2012, 455,547 shares of Alon's common stock were issued in exchange for 2,435.31 shares of Alon Assets and 914.49 shares of Alon Operating. Compensation expense associated with the difference in value between the participants ownership of Alon Assets and Alon Operating compared to Alon's common stock of \$1,036 and \$542 was recognized for the years ended December 31, 2012 and 2011, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations.

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For the years ended December 31, 2012, 2011 and 2010, activity in the number of common stock was as follows:

	Common Stock
	(in thousands)
Balance as of December 31, 2009	54,171
Shares forfeited	—
Shares issued in connection with stock plans	10
Shares issued for payment of preferred stock dividends	101
Balance as of December 31, 2010	54,282
Shares forfeited	—
Shares issued in connection with stock plans	186
Shares issued for payment of preferred stock dividends	328
Shares issued in connection with standby equity distribution agreement	1,228
Shares issued in connection with amended shareholder agreement	84
Balance as of December 31, 2011	56,108
Shares forfeited	(20)
Shares issued in connection with stock plans	256
Shares issued for payment of preferred stock dividends	358
Shares issued in connection with preferred share conversions	4,125
Shares issued in connection with amended shareholder agreement	445
Balance as of December 31, 2012	61,272

(b) Preferred stock (share value in dollars)

The authorized preferred stock of Alon consists of 15,000,000 shares of convertible preferred stock, \$0.01 par value. Issued and outstanding shares of preferred stock were 4,220,000 and 4,000,000 as of December 31, 2012 and 2011, respectively.

In October 2010, Alon completed a registered direct offering of 4,000,000 shares of Alon's 8.5% Series A Convertible Preferred Stock (the "Series A Preferred Stock") for an aggregate offering price of \$40,000 less offering expenses, of which Alon Israel purchased \$35,000. The holders of the Series A Preferred Stock can convert, at the holder's option, the Series A Preferred Stock into Alon's common stock based on an initial conversion price of \$6.74 per share of Alon's common stock, in each case subject to adjustments. The Series A Preferred Stock may be redeemed at Alon's option after October 28, 2017, but under certain conditions Alon has the right to convert the Series A Preferred Stock into Alon common stock from October 2013. If all of the Series A Preferred Stock were to be converted into Alon's common stock based on the initial conversion price, then 5,934,800 shares of Alon's common stock would be issued.

In March 2012, Alon issued 3,000,000 shares of 8.5% Series B Convertible Preferred Stock (the "Series B Preferred Stock") to a group of investors who held, in the aggregate, \$30,000 of the Alon Brands Term Loans and 3,092,783 warrants to purchase shares of Alon's common stock. Alon repaid in full its obligations under the Alon Brands Term Loans and the warrants were surrendered to Alon. The terms of the Series B Preferred Stock are substantially the same as the terms of the Series A Preferred Stock except that, based on certain conditions, Alon has the right to convert the Series B Preferred Stock into Alon common stock from March 2015. If all of the Series B Preferred Stock were to be converted into Alon's common stock based on the initial conversion price of \$6.74 per share, then 4,451,100 shares of Alon's common stock would be issued.

During the year ended December 31, 2012, certain holders converted 500,000 shares of Series A Preferred Stock and 2,280,000 shares of Series B Preferred Stock to 4,124,686 shares of Alon's common stock.

ALON USA ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(dollars in thousands, except as noted)

(c) Dividends

Common Stock Dividends. Alon paid regular quarterly cash dividends of \$0.04 per share on Alon's common stock in 2012 on each of the following dates: March 15, 2012; June 15, 2012; September 19, 2012; and December 17, 2012. Additionally, the non-controlling interest stockholders of Alon Assets and Alon Operating received aggregate cash dividends of \$524.

Alon paid regular quarterly cash dividends of \$0.04 per share on Alon's common stock in 2011 on each of the following dates: March 15, 2011; June 15, 2011; September 15, 2011; and December 15, 2011. Additionally, the non-controlling interest stockholders of Alon Assets and Alon Operating received aggregate cash dividends of \$704.

Alon paid regular quarterly cash dividends of \$0.04 per share on Alon's common stock in 2010 on each of the following dates: March 31, 2010; June 15, 2010; September 15, 2010; and December 15, 2010. Additionally, the non-controlling interest stockholders of Alon Assets and Alon Operating received aggregate cash dividends of \$593.

Preferred Stock Dividends. Alon issued 358,000 and 328,000 shares in aggregate of common stock for payment of the quarterly 8.5% preferred stock dividend to preferred stockholders for the years ended December 31, 2012 and 2011, respectively.

(16) Stock-Based Compensation

Alon has two employee incentive compensation plans, (i) the Amended and Restated 2005 Incentive Compensation Plan and (ii) the 2000 Incentive Stock Compensation Plan.

(a) Amended and Restated 2005 Incentive Compensation Plan (share value in dollars)

Alon's original incentive compensation plan, the Alon USA Energy, Inc. 2005 Incentive Compensation Plan, was approved by its stockholders in 2006 and amended in May 2010. In May 2012, Alon's stockholders approved a second amended and restated incentive compensation plan, the Alon USA Energy, Inc. Second Amended and Restated 2005 Incentive Compensation Plan ("the Plan"), which is a component of Alon's overall executive incentive compensation program. The Plan permits the granting of awards in the form of options to purchase common stock, Stock Appreciation Rights ("SARs"), restricted shares of common stock, restricted common stock units, performance shares, performance units and senior executive plan bonuses to Alon's directors, officers and key employees.

Restricted Stock. Non-employee directors are awarded an annual grant of \$25 in shares of restricted stock. The restricted shares granted to the non-employee directors vest over a period of three years, assuming continued service at vesting. In May 2012, Alon granted awards of 11,148 restricted shares at a grant date price of \$8.97. The restricted shares granted to the non-employee directors vest over a period of three years, assuming continued service at vesting.

In May 2012, Alon granted awards of 180,000 restricted shares to certain executive officers at a weighted average grant date price of \$8.77. These May 2012 restricted shares will vest as follows: 50% on May 10, 2013 and 50% on May 10, 2016, assuming continued service at vesting.

In August 2012, Alon granted awards of 37,500 restricted shares to certain executive officers at a weighted average grant date price of \$13.95. These August 2012 restricted shares will vest on May 10, 2013, assuming continued service at vesting.

In May 2011, Alon granted awards of 180,000 restricted shares to certain executive officers at a weighted average grant date price of \$13.53. These May 2011 restricted shares are 50% vested as of December 31, 2012, with the remaining 50% vesting on May 10, 2016, assuming continued service at vesting.

Compensation expense for the restricted stock grants amounted to \$1,656, \$1,054 and \$75 for the years ended December 31, 2012, 2011 and 2010, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations.

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The following table summarizes the restricted share activity from January 1, 2011:

Nonvested Shares	Shares	Weighted Average Grant Date Fair Values (per share)
Nonvested at January 1, 2011	16,169	\$ 9.28
Granted	186,015	13.50
Vested	(7,278)	10.31
Forfeited	—	—
Nonvested at December 31, 2011	194,906	\$ 13.26
Granted	228,648	9.63
Vested	(97,424)	13.27
Forfeited	—	—
Nonvested at December 31, 2012	326,130	\$ 10.71

As of December 31, 2012, there was \$2,065 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2.0 years. The fair value of shares vested in 2012 was \$848.

Restricted Stock Units. In May 2011, Alon granted 500,000 restricted stock units to the CEO and President of Alon at a grant date fair value of \$11.47. Each restricted unit represents the right to receive one share of Alon common stock upon the vesting of the restricted stock unit. All 500,000 restricted stock units vest on March 1, 2015, assuming continued service at vesting. Compensation expense for the restricted stock units amounted to \$1,496 and \$997 for the years ended December 31, 2012 and 2011, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations.

Senior Executive Plan Bonuses. In August 2012, Alon granted 37,500 shares of common stock to certain executive officers at a weighted average grant date price of \$13.95. These shares vested immediately upon issuance. Compensation expense for the bonuses amounted to \$523 for the year ended December 31, 2012, and is included in selling, general and administrative expenses in the consolidated statements of operations.

Stock Appreciation Rights.

Through December 31, 2012, Alon has granted awards of 599,165 SARs to certain officers and key employees of Alon. Of these awards, 60% have a grant price of \$28.46 and the remaining SARs have grant prices ranging from \$10.00 to \$16.00. Of the 599,165 SARs granted, 524,103 SARs are fully vested. Of the remaining 75,062 SARs that are not vested as of December 31, 2012, 60,938 will vest in 2013, 9,562 will vest in 2014 with the remaining 4,562 vesting in 2015. As of December 31, 2012, 283,458 SARs have expired without being exercised.

When exercised, all SARs are convertible into shares of Alon common stock, the number of shares will be determined at the time of exercise by calculating the difference between the closing price of Alon common stock on the exercise date and the grant price of the SARs (the "Spread"), multiplying the Spread by the number of SARs being exercised and then dividing the product by the closing price of Alon common stock on the exercise date.

Compensation expense for the SARs grants amounted to \$56, \$336 and \$500 for the years ended December 31, 2012, 2011 and 2010, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations.

(b) 2000 Incentive Stock Compensation Plan

On August 1, 2000, Alon Assets and Alon Operating, majority owned, consolidated subsidiaries of Alon, adopted the 2000 Incentive Stock Compensation Plan pursuant to which Alon's board of directors may grant stock options to certain officers and members of executive management. The 2000 Incentive Stock Compensation Plan authorized grants of options to purchase up to 16,154 shares of common stock of Alon Assets and 6,066 shares of common stock of Alon Operating. This plan was closed to new participants subsequent to August 1, 2000, the initial grant date. As of December 31, 2011, all stock options issued under the 2000 Incentive Stock Compensation Plan have been exercised.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(dollars in thousands, except as noted)

(17) Income Taxes

Income tax expense (benefit) included the following:

	Year Ended December 31,		
	2012	2011	2010
Current:			
Federal	\$ 3,074	\$ —	\$ 7,965
State	4,788	1,502	118
Total current	<u>\$ 7,862</u>	<u>\$ 1,502</u>	<u>\$ 8,083</u>
Deferred:			
Federal	\$ 41,868	\$ 20,285	\$ (90,237)
State	154	(2,869)	(8,358)
Total deferred	<u>42,022</u>	<u>17,416</u>	<u>(98,595)</u>
Income tax expense (benefit)	<u>\$ 49,884</u>	<u>\$ 18,918</u>	<u>\$ (90,512)</u>

A reconciliation between the income tax expense (benefit) computed on pretax income (loss) at the statutory federal rate and the actual provision for income tax expense (benefit) is as follows:

	Year Ended December 31,		
	2012	2011	2010
Computed expected tax expense (benefit)	\$ 49,169	\$ 21,933	\$ (78,079)
State and local income taxes, net of federal benefit	3,373	373	(8,413)
Tax effect of Partnership non-controlling income	(2,426)	—	—
Bargain purchase gain	—	—	(6,118)
Other, net	(232)	(3,388)	2,098
Income tax expense (benefit)	<u>\$ 49,884</u>	<u>\$ 18,918</u>	<u>\$ (90,512)</u>

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The following table sets forth the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities.

	As of December 31,	
	2012	2011
Deferred income tax assets:		
Accounts receivable, allowance	\$ 211	\$ 157
Accrued liabilities and other	1,694	1,733
Post-retirement benefits	21,887	17,028
Non-current accrued liabilities and other	21,220	24,393
Net operating loss carryover	22,211	86,969
Tax credits	19,597	16,677
Other	7,568	7,052
Deferred income tax assets	<u>\$ 94,388</u>	<u>\$ 154,009</u>
Deferred income tax liabilities:		
Deferred gain on the Offering of the Partnership	\$ (50,581)	\$ —
Deferred charges	(271)	(175)
Unrealized gains	504	(8,472)
Property, plant and equipment	(385,567)	(380,685)
Other non-current	(4,907)	(4,830)
Inventories	11,021	(6,494)
Intangibles	(7,637)	(6,268)
Deferred income tax liabilities	<u>\$ (437,438)</u>	<u>\$ (406,924)</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of taxable income and projections for future taxable income, over the periods which the deferred tax assets are deductible, management believes it is more likely than not that Alon will realize the benefits of these deductible differences in future periods.

At December 31, 2012, Alon has used all the regular tax net operating loss carryforwards for Federal income tax purposes. However, Alon has net operating loss carryforwards for state and local income tax purposes of \$429,258 which are available to offset future state taxable income in various years through 2031.

Alon has elected to recognize interest expense related to the underpayment of income taxes in interest expense, and penalties relating to underpayment of income taxes as a reduction to other income (loss), net, in the consolidated statements of operations. Alon is subject to U.S. federal income tax, and income tax in multiple state jurisdictions with California, Texas, New Mexico, Oklahoma and Louisiana comprising the majority of the Company's state income tax. The federal tax years 2000 to 2008 are closed to audit. The federal tax year 2009 has been audited by the IRS, but the statute remains open. In general, the state tax years open to audit range from 2006 to 2010. Alon's liability for unrecognized tax benefits and accrued interest did not increase during the year ended December 31, 2012, as there were no unrecognized tax benefits recorded in 2012.

(18) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated as net income (loss) available to common stockholders divided by the average number of participating shares of common stock outstanding. Diluted earnings (loss) per share include the dilutive effect of SARs using the treasury stock method and the dilutive effect of convertible preferred shares, warrants and granted restricted stock units using the if-converted method.

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The calculation of earnings (loss) per share, basic and diluted, for the years ended December 31, 2012, 2011 and 2010, is as follows:

	Year Ended December 31,		
	2012	2011	2010
Net income (loss) available to stockholders	\$ 79,134	\$ 42,507	\$ (122,932)
less: preferred stock dividends	4,892	—	—
Net income (loss) available to common stockholders	<u>74,242</u>	<u>42,507</u>	<u>(122,932)</u>
Weighted average number of shares of common stock outstanding	57,501	55,431	54,186
Dilutive SARs, RSUs, convertible preferred stock and warrants	<u>6,416</u>	<u>5,970</u>	<u>—</u>
Weighted average number of shares of common stock outstanding assuming dilution	63,917	61,401	54,186
Earnings (loss) per share – basic	<u>\$ 1.29</u>	<u>\$ 0.77</u>	<u>\$ (2.27)</u>
Earnings (loss) per share – diluted	<u>\$ 1.24</u>	<u>\$ 0.69</u>	<u>\$ (2.27)</u>

(19) Related Party Transactions

(a) Alon Brands Term Loans

In March 2011, Alon Brands issued \$12,000 five-year unsecured notes to certain shareholders of Alon Israel and their affiliates as part of the Alon Brands Term Loans. In conjunction with the issuance of the Alon Brands Term Loans, Alon issued to certain shareholders of Alon Israel 1,237,113 warrants to purchase shares of Alon's common stock.

In March 2012, Alon issued \$12,000 of 8.5% Series B Convertible Preferred Stock to certain shareholders of Alon Israel and their affiliates. Alon repaid all amounts due under the Alon Brands Term Loans and the warrants held by Alon Israel and their affiliates were surrendered to Alon.

(b) Sale of ARL Preferred Shares

In connection with the acquisition of the Krotz Springs refinery, pursuant to a stock purchase agreement Alon Israel Oil Company, Ltd. (“Alon Israel”) provided letters of credit in the amount of \$55,000 to support the borrowing base of ARKS and purchased shares of Series A Preferred Stock of Alon Refining Louisiana, Inc. for \$80,000. Alon Israel issued an additional \$25,000 of letters of credit in the first quarter of 2009 for the benefit of ARKS. In December 2009, Alon Israel's shares of Series A Preferred Stock were exchanged for 7,351,051 shares of Alon common stock. In connection with the termination of the ARKS revolving credit facility, Alon returned to Alon Israel \$65,000 of letters of credit, leaving \$15,000 of letters of credit. On December 31, 2012, Alon returned \$12,500 of letters of credit to Alon Israel leaving \$2,500 of letters of credit outstanding. In the event that any letter of credit, provided by Alon Israel, is drawn upon by beneficiaries of a letter of credit, a promissory note will be issued in favor of Alon Israel for the amount of any such drawn letter of credit. This promissory note will provide that Alon Israel may exchange the promissory note for shares of Alon common stock.

(c) Letter of Credit Fee Agreement

In November 2010, Alon entered into a Letter of Credit Fee Agreement with Alon Israel whereby Alon Israel caused a bank to issue and deliver a \$23,000 letter of credit in favor of Alon USA, LP, a subsidiary of Alon (“Alon LP”), to a supplier of Alon LP to support Alon LP's crude oil purchases. Pursuant to the Letter of Credit Fee Agreement, Alon agreed to pay a fee of 8.5% per annum of the outstanding letter of credit amount. The aforementioned letter of credit was returned to Alon Israel in October 2011 and the Letter of Credit Fee Agreement was terminated.

(d) Collateral Fee Agreement

In March 2010, Alon entered into a line letter with Israel Discount Bank of New York (“IDB”), pursuant to which IDB agreed to provide a line of credit to Alon in a maximum amount of \$60,000. The collateral supporting the line of credit is currently comprised of a security interest in a \$30,000 deposit account maintained at IDB by Alon Israel. In 2010, in consideration for maintaining the deposit at IDB as collateral under the line letter, Alon entered into a Collateral Fee Agreement with Alon Israel whereby it agreed to pay a fee to Alon Israel based upon a formula set forth in the agreement which includes, among other items, costs to Alon Israel associated with the deposit. Currently the fee is 6.0% per annum. The initial term of the Collateral Fee Agreement ended on December 31, 2010 and is automatically extended for six month terms thereafter unless terminated by either party after the initial term with 30 days prior written notice.

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(e) Sale of HEP Units

In January 2010, Alon sold 150,200 Holly Energy Partners ("HEP") Units to each of Dor-Alon Energy in Israel (1988) Ltd. and Alon Holdings Blue Square-Israel, Ltd., both affiliates of Alon Israel, and Alon also exchanged 287,258 HEP Units for auction rate securities held by Alon Israel (which were sold in March 2010 and no gain or loss was recognized). The HEP Units sold and exchanged were based on a price per unit based on the average closing price of HEP's publicly traded Class A limited partnership units for the 30 trading days preceding the closing of such transaction for a total of \$22,760.

(f) Richmond Beach Property Sale

In April 2010, Alon entered into a Purchase and Sale Agreement with BSRE Point Wells, LP ("BSRE"), a subsidiary of Alon Holdings Blue Square-Israel, Ltd. to sell a parcel of land at Richmond Beach, Washington for \$19,500. The sale of the land was completed in June 2010 and Alon deferred recognition of the gain on the sale of land of \$5,539 as the land was sold to an affiliated entity. The deferred gain will be recognized at such time as the property is sold to a third party.

In conjunction with the sale, Alon entered into a development agreement with BSRE. The agreement provides that Alon and BSRE, in order to enhance the value of the land with a view towards maximizing the proceeds from its sale, intend to cooperate in the development and construction of a mixed-use residential and planned community real estate project on the land. As part of this agreement, Alon agreed to pay a quarterly development fee of \$439, commencing in the third quarter of 2010, in exchange for the right to participate in the potential profits realized by BSRE from the development of the land.

(g) Purchase of Equipment

During the year ended December 31, 2012, Alon purchased, from an affiliate, hydrotreating equipment and other refinery processing equipment for \$18,000 and \$8,000, respectively.

(20) Commitments and Contingencies

(a) Leases

Alon has long-term lease commitments for land, office facilities, retail facilities and related equipment and various equipment and facilities used in the storage and transportation of refined products. Alon also has long-term lease commitments for land at its Krotz Springs refinery. In most cases Alon expects that in the normal course of business, Alon's leases will be renewed or replaced by other leases. Alon has commitments under long-term operating leases for certain buildings, land, equipment, and pipelines expiring at various dates over the next twenty years. Certain long-term operating leases relating to buildings, land and pipelines include options to renew for additional periods. At December 31, 2012, minimum lease payments on operating leases were as follows:

Year ending December 31:	
2013	\$ 23,693
2014	21,561
2015	18,143
2016	16,101
2017	14,915
2018 and thereafter	44,872
Total	<u>\$ 139,285</u>

Total rental expense was \$34,943, \$42,218, and \$47,023 for the years ended December 31, 2012, 2011, and 2010, respectively. Contingent rentals and subleases were not significant.

(b) Commitments

In the normal course of business, Alon has long-term commitments to purchase, at market prices, utilities such as natural gas, electricity and water for use by its refineries, terminals, pipelines and retail locations. Alon is also party to various refined product and crude oil supply and exchange agreements. These agreements are typically short-term in nature or provide terms for cancellation.

Alon has a pipelines and terminals agreement with HEP through February 2020 with three additional five year renewal terms exercisable at Alon's sole option. Pursuant to the pipelines and terminals agreement, Alon has committed to transport and store minimum volumes of refined products in these pipelines and terminals. The tariff rates applicable to the transportation of refined products on the pipelines are variable, with a base fee which is reduced for volumes exceeding defined volumetric

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targets. The agreement provides for the reduction of the minimum volume requirement under certain circumstances. The service fees for the storage of refined products in the terminals are initially set at rates competitive in the marketplace.

Alon has a throughput and deficiency agreement with Sunoco Pipeline, LP that gives Alon the option to transport crude oil through the Amdel Pipeline (1) either westbound from the Nederland Terminal to the Big Spring refinery, or (2) eastbound from the Big Spring refinery to the Nederland Terminal for further barge transportation to the Krotz Springs refinery. The minimum throughput commitment by Alon is 15,645 bpd. The agreement is for 5 years from the operational date of September 2012 with an option to extend the New Agreement by four additional thirty-month periods.

Alon has an arrangement with Centurion through June 2021. This arrangement gives Alon transportation pipeline capacity to ship a minimum of 21,500 bpd of crude oil from Midland to the Big Spring refinery using Centurion's approximately forty-mile long pipeline system from Midland to Roberts Junction and Alon's three-mile pipeline from Roberts Junction to the Big Spring refinery which Alon leases to Centurion. The arrangement was amended April 1, 2012 to increase the minimum to 25,000 bpd.

Alon and Valero have an offtake agreement that provides for Valero to purchase, at market prices, light cycle oil and high sulfur distillate blendstock through July 2013.

(c) Contingencies

Alon is involved in various other claims and legal actions arising in the ordinary course of business. In August 2011, Alon received from the Federal Trade Commission a civil investigative demand to provide documents as part of an industry-wide investigation related to petroleum industry practices and pricing. Alon believes the ultimate disposition of this and all other matters will not have a material effect on Alon's financial position, results of operations or liquidity.

(d) Environmental

Alon is subject to federal, state, and local environmental laws and regulations. These rules regulate the discharge of materials into the environment and may require Alon to incur future obligations to investigate the effects of the release or disposal of certain petroleum, chemical, and mineral substances at various sites; to remediate or restore these sites; to compensate others for damage to property and natural resources and for remediation and restoration costs. These possible obligations relate to sites owned by Alon and associated with past or present operations. Alon is currently participating in environmental investigations, assessments and cleanups under these regulations at refineries, service stations, pipelines and terminals. Alon may in the future be involved in additional environmental investigations, assessments and cleanups. The magnitude of future costs will depend on factors such as the unknown nature and contamination at many sites, the timing, extent and method of the remedial actions which may be required, and the determination of Alon's liability in proportion to other responsible parties.

Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefit are expensed. Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Substantially all amounts accrued are expected to be paid out over the next 15 years. The level of future expenditures for environmental remediation obligations cannot be determined with any degree of reliability.

Alon has an environmental agreement with HEP pursuant to which Alon agreed to indemnify HEP against costs and liabilities incurred by HEP to the extent resulting from the existence of environmental conditions at the pipelines or terminals prior to February 28, 2005 or from violations of environmental laws with respect to the pipelines and terminals occurring prior to February 28, 2005. Alon's environmental indemnification obligations under the environmental agreement expire after February 28, 2015. In addition, Alon's indemnity obligations are subject to HEP first incurring \$100 of damages as a result of pre-existing environmental conditions or violations. Alon's environmental indemnity obligations are further limited to an aggregate indemnification amount of \$20,000, including any amounts paid by Alon to HEP with respect to indemnification for breaches of Alon's representations and warranties under a contribution agreement. With respect to any remediation required for environmental conditions existing prior to February 28, 2005, Alon has the option under the environmental agreement to perform such remediation itself in lieu of indemnifying HEP for their costs of performing such remediation. Pursuant to this option, Alon is continuing to perform the ongoing remediation at the Wichita Falls terminal. Any remediation required under the terms of the environmental agreement is limited to the standards under the applicable environmental laws as in effect at February 28, 2005.

Alon has an environmental agreement with Sunoco pursuant to which Alon agreed to indemnify Sunoco against costs and liabilities incurred by Sunoco to the extent resulting from the existence of environmental conditions at the pipelines prior to March 1, 2006 or from violations of environmental laws with respect to the pipelines occurring prior to March 1, 2006. With

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respect to any remediation required for environmental conditions existing prior to March 1, 2006, Alon has the option to perform such remediation itself in lieu of indemnifying Sunoco for their costs of performing such remediation.

Alon has accrued environmental remediation obligations of \$61,402 (\$6,730 current payable and \$54,672 non-current liability) at December 31, 2012, and \$65,463 (\$6,292 current payable and \$59,171 non-current liability) at December 31, 2011. The net environmental obligations (net of discount of \$11,787) for which discounting were applied were \$47,800. Those obligations were discounted at a rate of 4%. The aggregate gross disbursements for Alon's discounted environmental obligations for each of the five years subsequent to December 31, 2012 are as follows: 2013 - \$4,362; 2014 - \$3,512; 2015 - \$3,432; 2016 - \$3,317; 2017 - \$3,242 and thereafter - \$29,935.

In connection with the acquisition of the Bakersfield refinery on June 1, 2010, Alon entered into an indemnification agreement with a prior owner for remediation expenses of conditions that existed at the refinery on the acquisition date. Alon is required to make indemnification claims to the prior owner by March 15, 2015. Alon has recorded current receivables of \$3,239 and \$706 and non-current receivables of \$11,599 and \$15,719 at December 31, 2012 and 2011, respectively.

Alon has indemnification agreements with prior owners for part of the remediation expenses at certain West Coast assets. Alon has recorded current receivables of \$604 and \$1,893 and non-current receivables of \$1,964 and \$1,650 at December 31, 2012 and 2011, respectively.

(21) Quarterly Information (unaudited)

Selected financial data by quarter is set forth in the table below:

	Quarters				Full Year
	First	Second	Third	Fourth	
2012					
Net Sales	\$ 1,792,133	\$ 1,910,489	\$ 2,360,334	\$ 1,954,785	\$ 8,017,741
Operating income (loss)	(9,782)	92,638	90,346	96,273	269,475
Net income (loss) available to stockholders	(29,367)	43,091	43,223	22,187	79,134
Earnings (loss) per share, basic	\$ (0.52)	\$ 0.77	\$ 0.76	\$ 0.35	\$ 1.29
Weighted average shares outstanding	56,028	56,238	56,699	61,041	57,501
2011					
Net Sales	\$ 1,651,104	\$ 1,595,631	\$ 2,056,653	\$ 1,882,869	\$ 7,186,257
Operating income (loss)	73,293	40,512	81,954	(14,238)	181,521
Net income (loss) available to stockholders	13,065	13,734	28,621	(12,913)	42,507
Earnings (loss) per share, basic	\$ 0.24	\$ 0.25	\$ 0.51	\$ (0.23)	\$ 0.77
Weighted average shares outstanding	54,549	55,533	55,755	55,853	55,431

(22) Subsequent Event

Dividend Declared

On February 2, 2013, Alon declared its regular quarterly cash dividend of \$0.04 per share on Alon's common stock, payable on March 15, 2013, to stockholders of record at the close of business on March 1, 2013.

Partnership Distribution

On February 13, 2013 the Board of the General Partner announced a cash distribution to the Partnership's common unitholders for the period following the closing of its initial public offering through December 31, 2012 of \$0.57 per common unit. The cash distribution was paid on March 1, 2013 to unitholders of record at the close of business on February 22, 2013.

EXHIBITS

Exhibit No.	Description of Exhibit
1.1	Underwriting Agreement by and among Alon USA Partners, LP, Alon USA Partners GP, LLC, Alon Assets, Inc., Alon USA GP, LLC and Alon USA Energy, Inc. and Goldman, Sachs & Co., Credit Suisse Securities (USA) LLC and Citigroup Global Markets Inc., as representatives of the several underwriters named therein, dated November 19, 2012 (incorporated by reference to Exhibit 1.1 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
3.1	Second Amended and Restated Certificate of Incorporation of Alon USA Energy, Inc. (incorporated by reference to Exhibit 3.1 to Form 10-Q, filed by the Company on May 9, 2012, SEC File No. 001-32567).
3.2	Amended and Restated Bylaws of Alon USA Energy, Inc. (incorporated by reference to Exhibit 3.2 to Form S-1/A, filed by the Company on July 14, 2005, SEC File No. 333-124797).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
4.2	Specimen 8.50% Series A Convertible Preferred Stock Certificate. (incorporated by reference to Exhibit 4.4 to Form 10-Q, filed by the Company on November 9, 2010, SEC File No. 001-32567).
4.3	Indenture, dated as of October 22, 2009, by and among Alon Refining Krotz Springs, Inc. and Wilmington Trust FSB, as Trustee (incorporated by reference to Exhibit 4.1 to Form 8-K, filed by the Company on October 23, 2009, SEC File No. 001-32567).
4.4	Form of Certificate of Designation of the 8.75% Series A Convertible Preferred Stock (incorporated by reference to Exhibit 4.3 to Form 10-Q filed by Alon on November 9, 2010, SEC File No. 001-32567).
4.5	Form of Certificate of Designation of the 8.75% Series B Convertible Preferred Stock (incorporated by reference to Exhibit 4.5 to Form 10-K, filed by the Company on March 13, 2012 SEC File No. 001-32567).
10.1	Trademark License Agreement, dated as of July 31, 2000, among Finamark, Inc., Atofina Petrochemicals, Inc. and SWBU, L.P. (incorporated by reference to Exhibit 10.3 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.2	First Amendment to Trademark License Agreement, dated as of April 11, 2001, among Finamark, Inc., Atofina Petrochemicals, Inc. and SWBU, L.P. (incorporated by reference to Exhibit 10.4 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.3	Pipeline Lease Agreement, dated as of December 12, 2007, between Plains Pipeline, L.P. and Alon USA, L.P. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on February 5, 2008, SEC File No. 001-32567).
10.4	Pipeline Lease Agreement, dated as of February 21, 1997, between Navajo Pipeline Company and American Petrofina Pipe Line Company (incorporated by reference to Exhibit 10.6 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.5	Amendment and Supplement to Pipeline Lease Agreement, dated as of August 31, 2007, by and between HEP Pipeline Assets, Limited Partnership and Alon USA, LP (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on November 8, 2007, SEC File No. 001-32567).
10.6	Pipelines and Terminals Agreement, dated as of February 28, 2005, between Alon USA, LP and Holly Energy Partners, L.P. (incorporated by reference to Exhibit 10.8 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.7	Liquor License Purchase Agreement, dated as of May 12, 2003, between Southwest Convenience Stores, LLC and SCS Beverage, Inc. (incorporated by reference to Exhibit 10.34 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.8	Premises Lease, dated as of May 12, 2003, between Southwest Convenience Stores, LLC and SCS Beverage, Inc. (incorporated by reference to Exhibit 10.35 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.9	Registration Rights Agreement, dated as of July 6, 2005, between Alon USA Energy, Inc. and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.22 to Form S-1/A, filed by the Company on July 7, 2005, SEC File No. 333-124797).
10.10	Registration Rights Agreement, dated October 22, 2009, between Alon Refining Krotz Springs, Inc. and Jefferies & Company, Inc. (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on October 23, 2009, SEC File No. 001-32567).
10.11	Form of Registration Rights Agreement among the Company and Subsidiary Shareholders, dated June 20, 2012 (incorporated by reference to Exhibit 10.3 to Form 8-K, filed by the Company on June 26, 2012, SEC File No. 001-32567).
10.12	Amended Revolving Credit Agreement, dated as of June 22, 2006, among Alon USA, LP, EOC Acquisition, LLC, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on June 26, 2006, SEC File No. 001-32567).

Exhibit No.	Description of Exhibit
10.13	First Amendment to Amended Revolving Credit Agreement, dated as of August 4, 2006, to the Amended Revolving Credit Agreement, dated as of June 22, 2006, among Alon USA, LP, EOC Acquisition, LLC, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.25 to Form 10-K, filed by the Company on March 15, 2007 SEC File No. 001-32567).
10.14	Waiver, Consent, Partial Release and Second Amendment, dated as of February 28, 2007, to the Amended Revolving Credit Agreement, dated as of June 22, 2006, Alon USA, LP, Edgington Oil Company, LLC, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on March 5, 2007, SEC File No. 001-32567).
10.15	Third Amendment to Amended Revolving Credit Agreement, dated as of June 29, 2007, to the Amended Revolving Credit Agreement, dated as of June 22, 2006, among Alon USA Energy, Inc., Alon USA, LP, the guarantor companies and financial institutions named therein, Israel Discount Bank of New York and Bank Leumi USA (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on July 20, 2007, SEC File No. 001-32567).
10.16	Waiver, Consent, Partial Release and Fourth Amendment, dated as of July 2, 2008, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.4 to Form 8-K, filed by the Company on July 10, 2008, SEC File No. 001-32567).
10.17	Fifth Amendment to Amended Revolving Credit Agreement, dated as of July 31, 2009, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.3 to Form 10-Q, filed by the Company on August 6, 2009, SEC File No. 001-32567).
10.18	Sixth Amendment to Amended Revolving Credit Agreement, dated as of May 10, 2010, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on May 10, 2010, SEC File No. 001-32567).
10.19	Seventh Amendment to Amended Revolving Credit Agreement, dated as of June 1, 2010, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on August 9, 2010, SEC File No. 001-32567).
10.20	Eighth Amendment to Amended Revolving Credit Agreement, dated as of June 16, 2010, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on August 9, 2010, SEC File No. 001-32567).
10.21	Ninth Amendment to Amended Revolving Credit Agreement, dated as of February 22, 2011, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.22 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.22	Tenth Amendment to Amended Revolving Credit Agreement, dated as of March 6, 2012, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.21 to Form 10-K, filed by the Company on March 13, 2012 SEC File No. 001-32567).
10.23	Eleventh Amendment to Amended Revolving Credit Agreement, dated as of November 13, 2012, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on November 19, 2012, SEC File No. 001-32567).
10.24	Twelfth Amendment to Amended Revolving Credit Agreement, dated as of November 16, 2012, by and among Alon USA, LP, Israel Discount Bank of New York, Bank Leumi USA and certain other guarantor companies and financial institutions from time to time named therein (incorporated by reference to Exhibit 10.3 to Form 8-K, filed by the Company on November 19, 2012, SEC File No. 001-32567).
10.25	Revolving Credit Line Agreement, dated March 9, 2010, by and between Alon and Israel Discount Bank of New York (incorporated by reference to Exhibit 10.96 to Form 10-K, filed by the Company on March 16, 2010, SEC File No. 001-32567).
10.26	Amendment and Waiver, dated February 24, 2011, to Revolving Credit Line Agreement, dated March 9, 2010, among Alon and Israel Discount Bank of New York (incorporated by reference to Exhibit 10.24 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.27	Credit Agreement, dated May 28, 2010, by and between Alon Refining Krotz Springs, Inc. and Goldman Sachs Bank USA, as Issuing Bank (incorporated by reference to Exhibit 10.5 to Form 10-Q, filed by the Company on August 9, 2010, SEC File No. 001-32567).

Exhibit No.	Description of Exhibit
10.28	First Amendment, dated as of July 31, 2012, to the Credit Agreement, dated May 28, 2010, by and between Alon Refining Krotz Springs, Inc. and Goldman Sachs Bank USA, as Issuing Bank (incorporated by reference to Exhibit 10.7 to Form 10-Q, filed by the Company on August 9, 2012, SEC File No. 001-32567).
10.29	Amended and Restated Credit Agreement, dated as of December 30, 2010, among Southwest Convenience Stores, LLC, Skinny's, LLC, the lenders party thereto and Wells Fargo Bank, National Association. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on January 6, 2011, SEC File No. 001-32567).
10.30	First Amendment to the Amended and Restated Credit Agreement, dated as of April 20, 2012, by and among Southwest Convenience Stores, LLC, Skinny's, LLC, the lenders party thereto and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to Form 10-Q Filed by the Company on May 9, 2012, SEC File No. 001-32567).
10.31	Credit and Guaranty Agreement, dated as of November 13, 2012, among Alon USA Energy, Inc., Alon USA Partners, LP, the lenders party thereto and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on November 19, 2012, SEC File No. 001-32567).
10.32	Credit and Guaranty Agreement, dated as of November 26, 2012, among Alon USA Partners, LP, Alon USA Partners GP, LLC and certain subsidiaries of Alon USA Partners, LP, as Guarantors, the lenders party thereto and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on November 30, 2012, SEC File No. 001-32567).
10.33	Purchase Agreement, dated October 13, 2009, between Alon Refining Krotz Springs, Inc. and Jefferies & Co. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on October 19, 2009, SEC File No. 001-32567).
10.34	Management and Consulting Agreement, dated as of August 1, 2003, among Alon USA, Inc., Alon Israel Oil Company, Ltd. and Alon USA Energy, Inc. (incorporated by reference to Exhibit 10.21 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.35	Amendment, dated as of June 17, 2005, to the Management and Consulting Agreement, dated as of August 1, 2003, among Alon USA, Inc., Alon Israel Oil Company, Ltd. and Alon USA Energy, Inc. (incorporated by reference to Exhibit 10.21.1 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.36*	Executive Employment Agreement, dated as of July 31, 2000, between Jeff D. Morris and Alon USA GP, Inc., as amended by the Amendment to Executive/Management Employment Agreement, dated May 1, 2005 (incorporated by reference to Exhibit 10.23 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.37*	Second Amendment to Executive Employment Agreement, dated as of November 4, 2008, between Jeff D. Morris and Alon USA GP, LLC (incorporated by reference to Exhibit 10.9 to Form 10-Q, filed by the Company on November 7, 2008, SEC File No. 001-32567).
10.38*	Executive Employment Agreement between Jeff Morris and Alon USA Energy, Inc., dated May 3, 2011, (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on May 6, 2011, SEC File No. 001-32567).
10.39*	Management Employment Agreement, dated as of March 1, 2010, between Paul Eisman and Alon USA GP, LLC. (incorporated by reference to Exhibit 10.22 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.40*	Executive Employment Agreement, dated as of July 31, 2000, between Claire A. Hart and Alon USA GP, Inc., as amended by the Amendment to Executive/Management Employment Agreement, dated May 1, 2005 (incorporated by reference to Exhibit 10.24 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.41*	Second Amendment to Executive Employment Agreement, dated as of November 4, 2008, between Claire A. Hart and Alon USA GP, LLC (incorporated by reference to Exhibit 10.10 to Form 10-Q, filed by the Company on November 7, 2008, SEC File No. 001-32567).
10.42*	Executive Employment Agreement, dated as of August 1, 2003, between Shai Even and Alon USA GP, LLC (incorporated by reference to Exhibit 10.49 to Form 10-K, filed by the Company on March 15, 2007, SEC File No. 001-32567).
10.43*	Amendment to Executive Employment Agreement, dated as of November 4, 2008, between Shai Even and Alon USA GP, LLC. (incorporated by reference to Exhibit 10.14 to Form 10-Q, filed by the Company on November 7, 2008, SEC File No. 001-32567).
10.44*	Management Employment Agreement, dated as of October 30, 2008, between Michael Oster and Alon USA GP, LLC (incorporated by reference to Exhibit 10.71 to Form 10-K, filed by the Company on April 10, 2009, SEC File No. 001-32567).

Exhibit No.	Description of Exhibit
10.45*	Agreement of Principles of Employment, dated as of December 22, 2009, between David Wiessman and the Company (incorporated by reference to Exhibit 10.44 to Form 10-K, filed by the Company on March 13, 2012 SEC File No. 001-32567).
10.46*	Amended and Restated Employment Agreement by and between Paramount Petroleum Corporation and Alan P. Moret, dated July 8, 2011 (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on July 13, 2011, SEC File No. 001-32567).
10.47*	Management Employment Agreement, dated as of May 1, 2008, between Kyle C. McKeen and Alon USA GP, LLC.
10.48*	Description of Annual Bonus Plans (incorporated by reference to Exhibit 10.56 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.49*	Change of Control Incentive Bonus Program (incorporated by reference to Exhibit 10.29 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.50*	Description of Director Compensation (incorporated by reference to Exhibit 10.30 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.51*	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.31 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.52*	Form of Officer Indemnification Agreement (incorporated by reference to Exhibit 10.32 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.53*	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.33 to Form S-1, filed by the Company on May 11, 2005, SEC File No. 333-124797).
10.54*	Alon Assets, Inc. 2000 Stock Option Plan (incorporated by reference to Exhibit 10.36 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.55*	Alon USA Operating, Inc. 2000 Stock Option Plan (incorporated by reference to Exhibit 10.37 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.56*	Incentive Stock Option Agreement, dated as of July 31, 2000, between Alon Assets, Inc. and Jeff D. Morris, as amended by the Amendment to the Incentive Stock Option Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.38 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.57*	Second Amendment to Incentive Stock Option Agreement, dated as of November 4, 2008, between Jeff D. Morris and Alon Assets, Inc. (incorporated by reference to Exhibit 10.15 to Form 10-Q, filed by the Company on November 7, 2008, SEC File No. 001-32567).
10.58	Shareholder Agreement, dated as of July 31, 2000, between Alon Assets, Inc. and Jeff D. Morris, as amended by the Amendment to the Shareholder Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.39 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.59*	Incentive Stock Option Agreement, dated as of July 31, 2000, between Alon USA Operating, Inc. and Jeff D. Morris, as amended by the Amendment to the Incentive Stock Option Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.40 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.60*	Second Amendment to Incentive Stock Option Agreement, dated as of November 4, 2008, between Jeff D. Morris and Alon USA Operating, Inc. (incorporated by reference to Exhibit 10.16 to Form 10-Q, filed by the Company on November 7, 2008, SEC File No. 001-32567).
10.61	Shareholder Agreement, dated as of July 31, 2000, between Alon USA Operating, Inc. and Jeff D. Morris, as amended by the Amendment to the Shareholder Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.41 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.62	Amendment to Shareholder Agreements among the Company, Alon Assets, Inc., Alon Operating, Inc., Jeff Morris and Jeff Morris/IRA, dated June 20, 2012 (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on June 26, 2012, SEC File No. 001-32567).
10.63*	Incentive Stock Option Agreement, dated as of July 31, 2000, between Alon Assets, Inc. and Claire A. Hart, as amended by the Amendment to the Incentive Stock Option Agreement, dated June 30, 2002 and July 25, 2002 (incorporated by reference to Exhibit 10.42 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.64	Shareholder Agreement, dated as of July 31, 2000, between Alon Assets, Inc. and Claire A. Hart, as amended by the Amendment to the Shareholder Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.43 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.65	Amendment to Shareholder Agreements among the Company, Alon Assets, Inc., Alon Operating, Inc., Claire Hart and Claire Hart/IRA, dated June 20, 2012 (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on June 26, 2012, SEC File No. 001-32567).

Exhibit No.	Description of Exhibit
10.66*	Incentive Stock Option Agreement, dated as of July 31, 2000, between Alon USA Operating, Inc. and Claire A. Hart, as amended by the Amendment to the Incentive Stock Option Agreement, dated June 30, 2002 and July 25, 2002 (incorporated by reference to Exhibit 10.44 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.67	Shareholder Agreement, dated as of July 31, 2000, between Alon USA Operating, Inc. and Claire A. Hart, as amended by the Amendment to the Shareholder Agreement, dated June 30, 2002 (incorporated by reference to Exhibit 10.45 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.68*	Incentive Stock Option Agreement, dated as of February 5, 2001, between Alon Assets, Inc. and Joseph A. Conciencie, III, as amended by the Amendment to the Incentive Stock Option Agreement, dated July 25, 2002 (incorporated by reference to Exhibit 10.46 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.69	Shareholder Agreement, dated as of February 5, 2001, between Alon Assets, Inc. and Joseph A. Conciencie, III (incorporated by reference to Exhibit 10.47 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.70*	Incentive Stock Option Agreement, dated as of February 5, 2001, between Alon USA Operating, Inc. and Joseph A. Conciencie, III, as amended by the Amendment to the Incentive Stock Option Agreement, dated July 25, 2002 (incorporated by reference to Exhibit 10.48 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.71	Shareholder Agreement, dated as of February 5, 2001, between Alon USA Operating, Inc. and Joseph A. Conciencie, III (incorporated by reference to Exhibit 10.49 to Form S-1/A, filed by the Company on June 17, 2005, SEC File No. 333-124797).
10.72	Amendment to Shareholder Agreements – Option Shares, between Alon Assets, Inc., Alon Operating, Inc., Alon USA Energy, Inc. and Joseph A. Conciencie, dated October 3, 2011.
10.73	Agreement, dated as of July 6, 2005, among Alon USA Energy, Inc., Alon USA, Inc., Alon USA Capital, Inc., Alon USA Operating, Inc., Alon Assets, Inc., Jeff D. Morris, Claire A. Hart and Joseph A. Conciencie, III (incorporated by reference to Exhibit 10.52 to Form S-1/A, filed by the Company on July 7, 2005, SEC File No. 333-124797).
10.74*	Alon USA Energy, Inc. Second Amended and Restated 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on May 9, 2012, SEC File No. 001-32567).
10.75*	Form of Restricted Stock Award Agreement relating to Director Grants pursuant to Section 12 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on August 5, 2005, SEC File No. 001-32567).
10.76*	Form of Restricted Stock Award Agreement relating to Participant Grants pursuant to Section 8 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on August 23, 2005, SEC File No. 001-32567).
10.77*	Form II of Restricted Stock Award Agreement relating to Participant Grants pursuant to Section 8 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to Form 8-K, filed by the Company on November 8, 2005, SEC File No. 001-32567).
10.78*	Form of Appreciation Rights Award Agreement relating to Participant Grants pursuant to Section 7 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on March 12, 2007, SEC File No. 001-32567).
10.79*	Form of Amendment to Appreciation Rights Award Agreement relating to Participant Grants pursuant to Section 7 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on January 27, 2010, SEC File No. 001-32567).
10.80*	Form II of Appreciation Rights Award Agreement relating to Participant Grants pursuant to Section 7 of the Alon USA Energy, Inc. 2005 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on January 27, 2010, SEC File No. 001-32567).
10.81*	Award Agreement between the Company and Paul Eisman, dated May 5, 2011, (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on May 9, 2011, SEC File No. 001-32567).
10.82*	Form of Award Agreement relating to Executive Officer Restricted Stock Grants pursuant to the Alon USA Energy, Inc. 2005 Amended and Restated Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on May 9, 2011, SEC File No. 001-32567).
10.83	Stock Purchase Agreement, dated as of April 28, 2006, among Alon USA Energy, Inc., The Craig C. Barto and Gisele M. Barto Living Trust, Dated April 5, 1991, The Jerrel C. Barto and Janice D. Barto Living Trust, Dated March 18, 1991, W. Scott Lovejoy, III and Mark R. Milano (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on May 2, 2006, SEC File No. 001-32567).

Exhibit No.	Description of Exhibit
10.84	First Amendment to Stock Purchase Agreement, dated as of June 30, 2006, among Alon USA Energy, Inc., The Craig C. Barto and Gisele M. Barto Living Trust, Dated April 5, 1991, The Jerrel C. Barto and Janice D. Barto Living Trust, Dated March 18, 1991, W. Scott Lovejoy III and Mark R. Milano (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on November 14, 2006, SEC File No. 001-32567).
10.85	Second Amendment to Stock Purchase Agreement, dated as of July 31, 2006, among Alon USA Energy, Inc., The Craig C. Barto and Gisele M. Barto Living Trust, Dated April 5, 1991, The Jerrel C. Barto and Janice D. Barto Living Trust, Dated March 18, 1991, W. Scott Lovejoy III and Mark R. Milano (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on November 14, 2006, SEC File No. 001-32567).
10.86	Agreement and Plan of Merger, dated as of April 28, 2006, among Alon USA Energy, Inc., Apex Oil Company, Inc., Edgington Oil Company, and EOC Acquisition, LLC (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on May 2, 2006, SEC File No. 001-32567).
10.87	Agreement and Plan of Merger, dated March 2, 2007, by and among Alon USA Energy, Inc., Alon USA Interests, LLC, ALOSKI, LLC, Skinny's, Inc. and the Davis Shareholders (as defined therein) (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on March 6, 2007, SEC File No. 001-32567).
10.88	Stock Purchase Agreement, dated May 7, 2008, between Valero Refining and Marketing Company and Alon Refining Krotz Springs, Inc. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on May 13, 2008, SEC File No. 001-32567).
10.89	First Amendment to Stock Purchase Agreement, dated as of July 3, 2008, by and among Valero Refining and Marketing Company, Alon Refining Krotz Springs, Inc. and Valero Refining Company-Louisiana (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on July 10, 2008, SEC File No. 001-32567).
10.90	Series A Preferred Stock Purchase Agreement, dated as of July 3, 2008, by and between Alon Refining Louisiana, Inc. and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.5 to Form 8-K, filed by the Company on July 10, 2008, SEC File No. 001-32567).
10.91	Stockholders Agreement, dated as of July 3, 2008, by and among Alon USA Energy, Inc., Alon Refining Louisiana, Inc., Alon Louisiana Holdings, Inc. and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.6 to Form 8-K, filed by the Company on July 10, 2008, SEC File No. 001-32567).
10.92	Amended and Restated Stockholders Agreement dated as of March 31, 2009, by and among Alon USA Energy, Inc., Alon Refining Louisiana, Inc., Alon Louisiana Holdings, Inc. and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.88 to Form 10-K, filed by the Company on April 10, 2009, SEC File No. 001-32567).
10.93	First Amendment to Amended and Restated Stockholders Agreement dated as of December 31, 2009, by and among Alon USA Energy, Inc., Alon Refining Louisiana, Inc., Alon Louisiana Holdings, Inc. and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on January 5, 2010, SEC File No. 001-32567).
10.94	Offtake Agreement, dated as of July 3, 2008, by and between Valero Marketing and Supply Company and Alon Refining Krotz Springs, Inc. (incorporated by reference to Exhibit 10.9 to Form 10-Q, filed by the Company on August 8, 2008, SEC File No. 001-32567).
10.95	Earnout Agreement, dated as of July 3, 2008, by and between Valero Refining and Marketing Company and Alon Refining Krotz Springs, Inc. (incorporated by reference to Exhibit 10.10 to Form 10-Q, filed by the Company on August 8, 2008, SEC File No. 001-32567).
10.96	First Amendment to Earnout Agreement, dated as of August 27, 2009, by and between Valero Refining and Marketing Company and Alon Refining Krotz Springs, Inc. (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on November 6, 2009, SEC No. 001-32567).
10.97	Amended and Restated Supply and Offtake Agreement, dated May 28, 2010 by and between Alon Refining Krotz Springs, Inc. and J. Aron & Company (incorporated by reference to Exhibit 10.6 to Form 10-Q, filed by the Company on August 9, 2010, SEC File No. 001-32567).
10.98	First Amendment to the Supply and Offtake Agreement, dated January 20, 2011, by and between Alon Refining Krotz Springs, Inc. and J. Aron & Company (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on May 10, 2011, SEC File No. 001-32567).
10.99	Amended and Restated Second Amendment to the Supply and Offtake Agreement, dated March 1, 2011, by and between Alon Refining Krotz Springs, Inc. and J. Aron & Company (incorporated by reference to Exhibit 10.3 to Form 10-Q, filed by the Company on May 10, 2011, SEC File No. 001-32567).
10.100	Supplemental Agreement to Supply and Offtake Agreement, dated October 31, 2011, between Alon Refining Krotz Springs, Inc. and J. Aron & Company (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on November 7, 2011, SEC File No. 001-32567).

Exhibit No.	Description of Exhibit
10.101	Amendment, dated as of July 20, 2012, to the Amended and Restated Supply and Offtake Agreement, dated May 28, 2010, by and between Alon Refining Krotz Springs, Inc. and J. Aron & Company (incorporated by reference to Exhibit 10.5 to Form 10-Q, filed by the Company on August 9, 2012, SEC File No. 001-32567).
10.102	Amended and Restated Supply and Offtake Agreement by and between Alon USA, LP and J. Aron & Company, dated March 1, 2011 (incorporated by reference to Exhibit 10.1 to Form 10-Q, filed by the Company on May 10, 2011, SEC File No. 001-32567).
10.103	Supplemental Agreement to Supply and Offtake Agreement, dated October 31, 2011, between Alon USA, LP and J. Aron & Company (incorporated by reference to Exhibit 10.2 to Form 10-Q, filed by the Company on November 11, 2011, SEC File No. 001-32567).
10.104	Amendment, dated as of July 20, 2012, to the Amended and Restated Supply and Offtake Agreement by and between Alon USA, LP, and J. Aron & Company, dated March 1, 2011 (incorporated by reference to Exhibit 10.4 to Form 10-Q, filed by the Company on August 9, 2012, SEC File No. 001-32567).
10.105	Supply and Offtake Agreement by and between Paramount Petroleum Corporation and J. Aron & Company, dated February 28, 2012.
10.106	Amendment, dated as of July 20, 2012, to the Supply and Offtake Agreement, dated May 30, 2012, by and between Alon Supply, Inc., and J. Aron and Company (incorporated by reference to Exhibit 10.6 to Form 10-Q, filed by the Company on August 9, 2012, SEC File No. 001-32567).
10.107	Standby Equity Distribution Agreement, dated as of January 20, 2011, among Alon USA Energy, Inc. and YA Global Master SPV, Ltd. (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on January 24, 2011, SEC File No. 001-32567).
10.108	Form of Series A Convertible Preferred Stock Purchase Agreement (incorporated by reference to Exhibit 10.105 to Form S-1/A, filed by the Company on October 22, 2010, SEC File No. 333-169583).
10.109	Warrant Agreement, dated March 10, 2011, between the Company, FIMI Opportunity IV, L.P and FIMI Israel Opportunity IV, Limited Partnership (incorporated by reference to Exhibit 10.104 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.110	Warrant Agreement, dated March 10, 2011, between the Company, FIMI Opportunity IV, L.P and FIMI Israel Opportunity IV, Limited Partnership (incorporated by reference to Exhibit 10.105 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.111	Warrant Agreement, dated March 14, 2011, between the Company and Alon Israel Oil Company, Ltd. (incorporated by reference to Exhibit 10.106 to Form 10-K, filed by the Company on March 15, 2011 SEC File No. 001-32567).
10.112	Form of Series B Convertible Preferred Stock Purchase Agreement (incorporated by reference to Exhibit 10.106 to Form 10-K, filed by the Company on March 13, 2012 SEC File No. 001-32567).
10.113	Omnibus Agreement by and among Alon USA Partners, LP, Alon USA Partners GP, LLC, Alon Assets, Inc. and Alon Energy, Inc., dated November 26, 2012 (incorporated by reference to Exhibit 10.1 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
10.114	Services Agreement by and among Alon USA Partners, LP, Alon USA Partners GP, LLC by and Alon Energy, Inc., dated November 26, 2012 (incorporated by reference to Exhibit 10.2 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
10.115	Tax Sharing Agreement by and among Alon USA Partners, LP and Alon USA Energy, Inc., dated November 26, 2012 (incorporated by reference to Exhibit 10.3 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
10.116	Distributor Sales Agreement by and among Alon USA Partners, LP and Southwest Convenience Stores, LLC, dated November 26, 2012 (incorporated by reference to Exhibit 10.4 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
10.117	Offtake Agreement by and among Alon USA, LP and Paramount Petroleum Corporation, dated November 26, 2012 (incorporated by reference to Exhibit 10.5 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
10.118	Contribution, Conveyance and Assumption Agreement by and among Alon Assets, Inc., Alon USA Partners GP, LLC, Alon USA Partners, LP, Alon USA Energy, Inc., Alon USA Refining, LLC, Alon USA Operating, Inc., Alon USA, LP and Alon USA GP, LLC, dated November 26, 2012 (incorporated by reference to Exhibit 10.6 to Form 8-K, filed by the Company on November 26, 2012, SEC File No. 001-32567).
21.1	Subsidiaries of Alon USA Energy, Inc.
23.1	Consent of KPMG LLP.
31.1	Certifications of Chief Executive Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Chief Financial Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.

Exhibit No.	Description of Exhibit
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
100	The following financial information from Alon USA Energy, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheets, (ii) Statements of Operations, (iii) Statements of Comprehensive Income, (iv) Statement of Stockholders' Equity, (v) Statements of Cash Flows and (vi) Notes to Financial Statements.

* Identifies management contracts and compensatory plans or arrangements.

† Filed under confidential treatment request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 13, 2013

By: /s/ Paul Eisman
Paul Eisman
President and Chief Executive Officer

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.

Date: March 13, 2013

By: /s/ David Wiessman
David Wiessman
Executive Chairman of the Board

Date: March 13, 2013

By: /s/ Jeff D. Morris
Jeff D. Morris
Vice Chairman of the Board

Date: March 13, 2013

By: /s/ Paul Eisman
Paul Eisman
President and Chief Executive Officer

Date: March 13, 2013

By: /s/ Shai Even
Shai Even
Senior Vice President and Chief Financial Officer
(Principal Accounting Officer)

Date: March 13, 2013

By: /s/ Itzhak Bader
Itzhak Bader
Director

Date: March 13, 2013

By: /s/ Boaz Biran
Boaz Biran
Director

Date: March 13, 2013

By: /s/ Shlomo Even
Shlomo Even
Director

Date: March 13, 2013

By: /s/ Ron W. Haddock
Ron W. Haddock
Director

Date: March 13, 2013

By: _____
Yeshayuhu Pery
Director

Date: March 13, 2013

By: /s/ Zalman Segal
Zalman Segal
Director

Date: March 13, 2013

By: /s/ Avraham Baiga Shochat
Avraham Baiga Shochat
Director

Date: March 13, 2013

By: /s/ Rubinstein Oded
Rubinstein Oded
Director

CERTIFICATIONS

I, Paul Eisman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Alon USA Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2013

By: /s/ Paul Eisman

Paul Eisman

President and Chief Executive Officer

CERTIFICATIONS

I, Shai Even, certify that:

1. I have reviewed this Annual Report on Form 10-K of Alon USA Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2013

By: /s/ Shai Even

Shai Even

Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. §1350,
AS ADOPTED PURSUANT TO §906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Annual Report on Form 10-K of Alon USA Energy, Inc., a Delaware corporation (the "Company"), for the period ended December 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: March 13, 2013

By: /s/ Paul Eisman

Paul Eisman

President and Chief Executive Officer

Date: March 13, 2013

By: /s/ Shai Even

Shai Even

Senior Vice President and Chief Financial Officer

ALON USA CORPORATE INFORMATION

HEADQUARTERS

Alon USA Energy, Inc.
12700 Park Central Dr., Suite 1600
Dallas, TX 75251-1100

STOCK EXCHANGE LISTING

New York Stock Exchange
Ticker Symbol: ALJ

ANNUAL MEETING

Tuesday, May 7th 8:30 a.m., CDT
at the Frontiers of Flight Museum
6911 Lemmon Avenue
Dallas, TX 75209

AUDITORS

KPMG LLP Dallas, TX

TRANSFER AGENT

American Stock Transfer and
Trust Company LLC
6201 15th Avenue
Brooklyn, NY 11219
www.amstock.com
(800) 937-5449

FORM 10-K

The company's annual report on Form
10-K, which is filed with the Securities
and Exchange Commission, is available
upon request by writing:

INVESTOR RELATIONS

Alon USA Energy, Inc.
12700 Park Central Dr., Suite 1600
Dallas, TX 75251-1100

OFFICERS, KEY EMPLOYEES AND DIRECTORS

OFFICERS AND KEY EMPLOYEES

David Wiessman	Executive Chairman of the Board
Jeff Morris	Vice Chairman of the Board
Paul Eisman	President and Chief Executive Officer
Shai Even	Senior Vice President and Chief Financial Officer
Claire Hart	Senior Vice President
Alan Moret	Senior Vice President of Supply
Michael Oster	Senior Vice President of Mergers and Acquisitions
Jimmy Crosby	Senior Vice President of Refining
James Ranspot	Senior Vice President and General Counsel
Glenn Clausen	Vice President of Refining - Paramount
Gregg Byers	Vice President of Refining - Krotz Springs
Jeff Brorman	Vice President of Refining - Big Spring
Richard Bird	Vice President - Paramount Asphalt
Kyle McKeen	President and Chief Executive Officer of Alon Brands
Josef Lipman	President and Chief Executive Officer of Southwest Convenience Stores

DIRECTORS

David Wiessman
Jeff Morris
Boaz Biran
Ron Haddock
Yizhak Bader
Yeshayahu Pery
Zalman Segal
Avraham Shochat
Shlomo Even
Oded Rubinstein

Giving

**Helping the smallest children survive
the toughest of circumstances.**



Alon USA is committed to improving life in every community where it operates. In the Dallas area we are supporting Vogel Alcove, an organization that helps to care for homeless children who are six-weeks to five-years old. For 25 years Vogel Alcove has provided free childcare, educational development and case management for those living in emergency shelters or transitional housing. We are proud to sponsor such a remarkable organization.

