

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) JULY 26, 2005

PACIFIC ETHANOL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

41-2170618

(State or other jurisdiction
of incorporation)

(IRS Employer
Identification No.)

000-21467

(Commission File Number)

5711 N. WEST AVENUE, FRESNO, CALIFORNIA

93711

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (559) 435-1771

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

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

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

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

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

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

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On July 26, 2005, the Compensation Committee and the Board of Directors of Pacific Ethanol, Inc. (the "Company") adopted resolutions approving various matters relating to compensation of non-employee directors, as described below. On July 28, 2005, the Board of Directors of the Company appointed two new members to serve as directors of the Company, one of whom was also appointed to serve as a member of the Audit Committee of the Company. In connection with their appointment, the Company entered into Indemnification Agreements with each of those two directors, as described below.

COMPENSATION OF NON-EMPLOYEE DIRECTORS

On July 26, 2005, and effective as of May 18, 2005, compensation for non-employee directors was established as described in Exhibit 10.1 to this Form 8-K and incorporated herein by reference. In addition, in connection with their appointment to the Board of Directors of the Company on July 28, 2005, Charles W. Bader and John L. Prince were each granted options to purchase 15,000 shares of common stock of the Company on the same terms and conditions as provided in Exhibit 10.1 to this Form 8-K.

INDEMNIFICATION AGREEMENTS

Effective as of July 28, 2005, the Company entered into Indemnification Agreements with each of Charles W. Bader and John L. Prince (each, an "Indemnitee") in connection with service by Messrs. Bader and Prince as members of the Board of Directors of the Company. Messrs. Bader and Prince were appointed as members of the Board of Directors of the Company on July 28, 2005. The form of Indemnification Agreement is included as Exhibit 10.1 to this Report on Form 8-K.

Under the Indemnification Agreement, the Company has agreed to indemnify the Indemnitee in connection with any third-party proceeding or threatened proceeding against the Indemnitee or in connection with a proceeding or threatened proceeding by or in the right of the Company, such as a stockholder derivative suit, by reason of the fact that the Indemnitee is or was an officer and/or director of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another enterprise, against all expenses, damages, judgments, amounts paid in settlement, fines, penalties and ERISA excise taxes actually and reasonably incurred by the Indemnitee in connection with the defense or settlement of any such proceeding, to the fullest extent permitted by the Delaware General Corporation Law, whether or not the Indemnitee was the successful party in any such proceeding; provided, however, that any settlement of a third-party proceeding must be approved in writing by the Company, and any settlement of a proceeding by or in the right of the Company is settled with the approval of a court of competent jurisdiction or indemnification of such amounts is otherwise ordered by a court of competent jurisdiction in connection with such proceeding.

In addition, the Company is required to advance expenses on behalf of the Indemnitee in connection with Indemnitee's defense in any such proceeding; provided, that the Indemnitee undertakes in writing to repay such amounts to the extent that it is ultimately determined that the Indemnitee is not entitled to indemnification by the Company.

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No indemnification payments or payments for expenses may be made by the Company under the agreements (i) to indemnify or advance expenses to the Indemnitee with respect to actions initiated or brought voluntarily by the Indemnitee and not by way of defense, except with respect to actions brought to establish or enforce a right to indemnification or advancement of expenses under the agreement or any other statute or law or otherwise as required under the Delaware General Corporation Law, but such indemnification or advancement of expenses may be provided by the Company in specific cases if approved by the Board of Directors by a majority vote of a quorum thereof consisting of directors who are not parties to such action, (ii) to indemnify the Indemnitee for any expenses, damages, judgments, amounts paid in settlement, fines, penalties or ERISA excise taxes for which payment is actually made to the Indemnitee under a valid and collectible insurance policy, except in respect of any excess beyond the amount paid under such insurance, (iii) to indemnify the Indemnitee for any expenses, damages, judgments, amounts paid in settlement, fines, penalties or ERISA excise taxes for which the Indemnitee has been or is indemnified by the Company or any other party otherwise than pursuant to the agreement, or (iv) to indemnify the Indemnitee for any expenses, damages, judgments, fines or penalties sustained in any proceeding for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder or similar provisions of any federal, state or local statutory law.

The Company is also required under the agreement, at the Indemnitee's request, to maintain in full force and effect, at its sole cost and expense, directors' and officers' liability insurance by an insurer, in an amount and with a deductible reasonably acceptable to the Indemnitee covering the period

during which the Indemnitee is serving in any one or more of the capacities covered by the agreement and for so long thereafter as the Indemnitee shall be subject to any possible claim or threatened, pending or completed proceeding by reason of the fact that the Indemnitee is serving in any of the capacities covered by the agreement; provided, that the Company shall have no obligation to maintain such insurance if the Company determines, in good faith, that (i) such insurance cannot be obtained on terms which are commercially reasonable, (ii) the premium costs for such insurance is significantly disproportionate to the amount of coverage provided, (iii) the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or (iv) the Company, after using best efforts, is otherwise unable to obtain such insurance.

ITEM 5.02. DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS.

(a) Not applicable.

(b) On July 28, 2005, Ryan W. Turner and John Pimentel each resigned as members of the Board of Directors of the Company.

(c) Not applicable.

(d) On July 28, 2005, the Board of Directors of the Company appointed Charles W. Bader and John L. Prince as members of the Board of Directors of the Company. In addition, on July 28, 2005, the Board of Directors of the Company appointed Mr. Prince as a member of the Audit Committee of the Company.

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ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Businesses Acquired.

Not applicable.

(b) Pro Forma Financial Information.

Not applicable.

(c) Exhibits.

Number	Description
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10.1	Description of Non-Employee Director Compensation (*)
10.2	2004 Stock Option Plan (1)
10.3	Form of Non-Qualified Stock Option Agreement between Pacific Ethanol, Inc. and each non-employee director (*)
10.4	Form of Indemnification Agreement between Pacific Ethanol, Inc. and each of its Executive Officers and Directors (2)

(*) Filed herewith.

(1) Filed with the Securities and Exchange Commission on March 24, 2005 as an exhibit to the Company's Registration Statement on Form S-8 (Reg. No. 333-123538) and incorporated herein by reference.

(2) Filed with the Securities and Exchange Commission on March 29, 2005 as an exhibit to the Company's Report on Form 8-K and incorporated herein by reference.

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SIGNATURE

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

Date: August 1, 2005

PACIFIC ETHANOL, INC.

By: /s/ RYAN W. TURNER

Ryan W. Turner
Chief Operating Officer

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EXHIBITS FILED WITH THIS REPORT

Number - - - - -	Description - - - - -
10.1	Description of Non-Employee Director Compensation
10.3	Form of Non-Qualified Stock Option Agreement between Pacific Ethanol, Inc. and each non-employee director

EXHIBIT 10.1

DESCRIPTION OF NON-EMPLOYEE DIRECTOR COMPENSATION

Effective as of May 18, 2005, non-employee directors of Pacific Ethanol, Inc. (the "Company") receive \$1,500 per board or committee meeting attended, in person or via telephone, in consideration for their services as members of the Board of Directors of the Company and its committees. Effective as of May 18, 2005, the Chairman of the Board of Directors of the Company receives \$80,000 annually for his services as Chairman of the Board of Directors of the Company. In addition, effective as of May 18, 2005, the Chairman of the Audit Committee of the Company receives, in lieu of the \$1,500 standard compensation described above, \$3,500 per Audit Committee meeting attended, in person or via telephone, in consideration for his services as Chairman of the Audit Committee of the Company.

Non-employee directors are reimbursed for certain reasonable and documented expenses in connection with attendance at meetings of the Board of Directors and committees of the Company.

Non-employee directors may also receive options from time to time under the Company's stock option plans and otherwise.

The following non-employee directors received grants of non-qualified stock options in the following amounts to purchase shares of common stock of the Company:

DIRECTOR -----	NO. OF SHARES -----
William L. Jones	50,000
Terry L. Stone	20,000
Kenneth J. Friedman	15,000
Frank P. Greinke	15,000
John Pimentel	15,000

In addition, new directors, upon their appointment, are to receive grants of non-qualified stock options to purchase 15,000 shares of common stock of the Company.

The options granted or to be granted shall include the following terms:

- o The options shall be granted under the Company's 2004 Stock Option Plan (the "2004 Plan") to the extent shares are then available under the 2004 Plan and the grant under the 2004 Plan can be made in compliance with applicable securities laws.
- o The exercise price of the options shall be equal to the Fair Market Value of a share of the Company's common stock as defined in the 2004 Plan.
- o The expiration date of the options shall be ten years after their date of grant or such earlier date as is provided in the 2004 Plan or in the applicable stock option agreements.
- o The options shall fully vest and become exercisable one year following their date of grant.

PACIFIC ETHANOL, INC.
2004 STOCK OPTION PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

This Non-Qualified Stock Option Agreement (this "Agreement") is made and entered into by and between Pacific Ethanol, Inc., a Delaware corporation ("Company"), and _____ ("Optionee"), as of _____, 200_ ("Date of Grant"). If the Optionee is presently or subsequently becomes employed by a subsidiary of the Company, the term "Company" shall be deemed to refer collectively to Pacific Ethanol, Inc. and the subsidiary or subsidiaries that employs the Optionee.

RECITALS

A. The Board of Directors and the stockholders of the Company have adopted a 2004 Stock Option Plan ("Plan") as an incentive to retain employees, officers, directors and consultants of the Company and to enhance the ability of the Company to attract new employees, officers, directors, and consultants whose services are considered valuable by providing an opportunity to have a proprietary interest in the success of the Company.

B. The entire Board of Directors or the committee established to administer the Plan ("Committee") has approved the granting of an option to the Optionee pursuant to the Plan to provide an incentive to the Optionee to focus on the long-term growth of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Optionee agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Optionee the right and option ("Option") to purchase up to an aggregate of _____ (____) shares (such number being subject to adjustment as provided in paragraph 10 below and Section 13 of the Plan) of the Common Stock of Pacific Ethanol, Inc. ("Stock") on the terms and conditions herein set forth. This Option may be exercised in whole or in part and from time to time as hereinafter provided. The Option granted under this Agreement is not intended to be an "incentive stock option" as set forth in Section 422 of the Internal Revenue Code of 1986, as amended ("Code").

2. VESTING OF OPTION. Subject to paragraph 8 below, the Option shall vest and become exercisable in accordance with the schedule below:

_____ percent (___%) shall vest and become exercisable on the Date of Grant and an additional _____ percent (___%) shall vest and become exercisable on each _____, of each year commencing on _____ and ending on _____, whereupon the Option shall have become vested and exercisable as to one hundred percent (100%) of the Stock covered by the Option.

3. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase the Stock covered by the Option shall be \$_____ per share, which price is 100% of the Fair Market Value (as defined in the Plan) of the Stock on the Date of Grant.

4. TERM OF OPTION. The Option granted under this Agreement shall expire, unless otherwise exercised, ten years from the Date of Grant, through and including the normal close of business of the Company on _____, 20____ ("Expiration Date"), subject to earlier termination as provided in paragraph 8 below.

5. EXERCISE OF OPTION. The Option may be exercised by the Optionee as to all or any part of the Stock then vested by delivery to the Company of written notice of exercise and payment of the purchase price as provided in paragraphs 6 and 7 below.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Agreement, the Option may be exercised by timely delivery to the Company of written notice, which notice shall be effective on the date received by the Company ("Effective Date"). The notice shall state the Optionee's election to exercise the Option, the number of shares in respect of which an election to exercise has been made, the method of payment elected (see paragraph 7 below), the exact name or names in which the shares will be registered and the taxpayer identification number of the Optionee. The notice shall be signed by the Optionee and shall be accompanied by payment of the purchase price of such shares. If the Option is exercised by a person or persons other than Optionee pursuant to paragraph 8 below, the notice shall be signed by the other person or persons and shall be accompanied by proof acceptable to the Company of the legal right of the person or persons to exercise the Option. All shares delivered by the Company upon exercise of the Option shall be fully paid and nonassessable upon delivery.

7. METHOD OF PAYMENT FOR OPTIONS. Payment for shares purchased upon the exercise of the Option shall be made by the Optionee in cash or such other method permitted by the Plan and the Committee and communicated to the Optionee in writing prior to the date the Optionee exercises all or any portion of the Option.

8. DEATH OR DISABILITY OF OPTIONEE. In the event of the death or the disability (as that term is defined in the Plan, referred to herein as "Disability") of the Optionee within a period during which the Option, or any part thereof, could have been exercised by the Optionee ("Option Period"), the Option shall lapse unless it is exercised within the Option Period, and in no event later than twelve (12) months after the date of the Optionee's death or Disability, by the Optionee or the Optionee's legal representative or representatives in the case of a Disability or, in the case of death, by the person or persons entitled to do so under the Optionee's last will and testament or if the Optionee fails to make a testamentary disposition of the Option or shall die intestate, by the person or persons entitled to receive the Option under the applicable laws of descent and distribution. An Option may be exercised following the death or Disability of the Optionee only if the Option was exercisable by the Optionee immediately prior to his death or Disability. In no event shall the Option be exercisable after the Expiration Date. The Committee shall have the right to require evidence satisfactory to it of the rights of any person or persons seeking to exercise the Option under this paragraph 8 to exercise the Option.

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9. NONTRANSFERABILITY. The Option granted by this Agreement shall be exercisable only during the term of the Option provided in paragraph 4 above and, except as provided in paragraph 8 above, only by the Optionee during his lifetime and while an Optionee of the Company. This Option shall not be transferable by the Optionee or any other person claiming through the Optionee, either voluntarily or involuntarily, except by will or the laws of descent and distribution or such other events as are set forth in the Plan.

10. ADJUSTMENTS IN NUMBER OF SHARES AND OPTION PRICE. In the event of a stock dividend, or if the Stock is changed into or exchanged for a different number or class of shares of stock of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, merger or consolidation, there shall be substituted for each remaining share of Stock then subject to this Option the number and class of shares of stock into which each outstanding share of Stock is to be so exchanged, all without any change in the aggregate purchase price for the shares then subject to the Option, all as set forth in Section 13 of the Plan.

11. DELIVERY OF SHARES. No shares of Stock shall be delivered upon exercise of the Option until (i) the purchase price has been paid in full in the manner herein provided; (ii) applicable taxes required to be withheld have been paid or withheld in full; (iii) approval of any governmental authority required in connection with the Option, or the issuance of shares thereunder, has been received by the Company; and (iv) if required by the Committee, the Optionee has delivered to the Committee an Investment Letter in form and content satisfactory to the Company as provided in paragraph 12 below.

12. SECURITIES ACT. The Company shall not be required to deliver any shares of Stock pursuant to the exercise of all or any part of the Option if, in

the opinion of counsel for the Company, the issuance would violate the Securities Act of 1933, as amended ("Securities Act"), or any other applicable federal or state securities laws or regulations. The Committee may require that the Optionee, prior to the issuance of any shares pursuant to exercise of the Option, sign and deliver to the Company a written statement ("Investment Letter") stating (i) that the Optionee is purchasing the shares for investment and not with a view to the sale or distribution thereof; (ii) that the Optionee will not sell any shares received upon exercise of the Option or any other shares of the Company that the Optionee may then own or thereafter acquire except either (a) through a broker on a national securities exchange or (b) with the prior written approval of the Company; and (iii) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act or other applicable federal or state securities laws and regulations. The Investment Letter shall be in form and content acceptable to the Committee in its sole discretion.

13. FEDERAL AND STATE TAXES. Upon exercise of the Option, or any part thereof, the Optionee may incur certain liabilities for federal, state or local taxes, and the Company may be required by law to withhold taxes for payment to taxing authorities. Upon determination by the Company of the amount of taxes required to be withheld, if any, with respect to the shares to be issued pursuant to the exercise of the Option, the Optionee shall pay all federal, state and local tax withholding requirements to the Company.

14. DEFINITIONS; COPY OF PLAN. To the extent not specifically provided herein, all capitalized terms used in this Agreement have the same meanings ascribed to them in the Plan. By the execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

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15. ADMINISTRATION. This Agreement shall at all times be subject to the terms and conditions of the Plan, and the Plan shall in all respects be administered by the Committee in accordance with the terms of and as provided in the Plan. The Committee shall have the sole and complete discretion with respect to all matters reserved to it by the Plan, and decisions of the majority of the Committee with respect thereto and to this Agreement shall be final and binding upon the Optionee and the Company. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall control.

16. CONTINUATION OF SERVICES. This Agreement shall not be construed to confer upon the Optionee any right to continue as a director of the Company and shall not limit the right of the Company, in its sole discretion, to terminate the services of the Optionee at any time.

17. OBLIGATION TO EXERCISE. The Optionee shall have no obligation to exercise the Option evidenced by this Agreement.

18. GOVERNING LAW. The corporate laws of the State of Delaware shall govern all issues concerning the relative rights of the Company and the Optionee under the Option. All other questions and obligations under the Option shall be construed and enforced in accordance with the internal laws of the State of California, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of California or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of California. The Company and the Optionee hereby consent, in any dispute, action, litigation or other proceeding concerning the Option (including arbitration) to the jurisdiction of the courts of the State of California, with the County of Orange being the sole venue for the bringing of the action or proceeding.

19. AMENDMENTS. This Agreement may be amended only by a written agreement executed by the Company and the Optionee. The Company and the Optionee acknowledge that changes in federal tax laws enacted subsequent to the Date of Grant, and applicable to stock options, may provide for tax benefits to the Company or the Optionee. In that event, the Company and the Optionee agree that this Agreement may be amended as necessary to secure for the Company and the Optionee any benefits that may result from that legislation. Any amendment shall be made only upon the mutual consent of the parties, which consent (of either party) may be withheld for any reason.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officer thereunto duly authorized, and the Optionee has hereunto set his or her hand as of the date first written above.

PACIFIC ETHANOL, INC.

OPTIONEE

By: _____
_____, _____

[INSERT NAME]