

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) APRIL 13, 2006  
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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

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(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.

(1) INVESTMENT BY CASCADE INVESTMENT, L.L.C.

PURCHASE AGREEMENT DATED NOVEMBER 14, 2005 BETWEEN PACIFIC ETHANOL, INC. AND CASCADE INVESTMENT, L.L.C.

On November 14, 2005, Pacific Ethanol, Inc. (the "Company") entered into a Purchase Agreement (the "Purchase Agreement") with Cascade Investment, L.L.C. (the "Purchaser"). The Purchase Agreement provides for the sale by the Company and the purchase by the Purchaser of 5,250,000 shares of the Company's Series A Cumulative Redeemable Convertible Preferred Stock (the "Preferred Stock") for an aggregate purchase price of \$84 million. The Preferred Stock was

created under the Certificate of Designations described below. Of the \$84 million aggregate purchase price, \$4 million was paid to the Company at closing and \$80 million was deposited into a restricted cash account to be disbursed in accordance with the Deposit Agreement described below. The Company is entitled to use the initial \$4 million of proceeds for general working capital and must use the remaining \$80 million for the construction or acquisition of one or more ethanol production facilities in accordance with the terms of the Deposit Agreement. The Purchase Agreement includes customary representations and warranties on the part of both the Company and the Purchaser.

CERTIFICATE OF DESIGNATIONS, POWERS, PREFERENCES AND RIGHTS OF THE  
SERIES A CUMULATIVE REDEEMABLE CONVERTIBLE PREFERRED STOCK

The Certificate of Designations, Powers, Preferences and Rights of the Series A Cumulative Redeemable Convertible Preferred Stock (the "Certificate of Designations") provides for 7,000,000 shares of preferred stock to be designated as Series A Cumulative Redeemable Convertible Preferred Stock. The Certificate of Designations was filed prior to the closing of the purchase and sale of the Preferred Stock (the "Closing"). The 5,250,000 shares of Preferred Stock issued under the Purchase Agreement had a purchase price of \$16.00 per share. The Preferred Stock ranks senior in liquidation and dividend preferences to the Company's common stock. Holders of Preferred Stock are entitled to quarterly cumulative dividends payable in arrears in cash in an amount equal to 5% of the purchase price per share of the Preferred Stock; however, such dividends may, at the option of the Company, be paid in additional shares of Preferred Stock based on the value of the purchase price per share of the Preferred Stock. The holders of Preferred Stock have a liquidation preference over the holders of the Company's common stock equivalent to the purchase price per share of the Preferred Stock plus any accrued and unpaid dividends on the Preferred Stock. A liquidation will be deemed to occur upon the happening of customary events, including transfer of all or substantially all of the capital stock or assets of the Company or a merger, consolidation, share exchange, reorganization or other transaction or series of related transaction, unless holders of 66 2/3% of the Preferred Stock vote affirmatively in favor of or otherwise consent to such transaction.

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The holders of the Preferred Stock have conversion rights initially equivalent to two shares of common stock for each share of Preferred Stock. The conversion ratio is subject to customary antidilution adjustments. In addition, antidilution adjustments are to occur in the event that the Company issues equity securities at a price equivalent to less than \$8.00 per share, including derivative securities convertible into equity securities (on an as-converted or as-exercised basis). Certain specified issuances will not result in antidilution adjustments (the "Anti-Dilution Excluded Securities"), including (i) securities issued to employees, officers or directors of the Company under any option plan, agreement or other arrangement duly adopted by the Company, the issuance of which is approved by the Compensation Committee of the Board of Directors of the Company, (ii) the Preferred Stock and any common stock issued upon conversion of the Preferred Stock, (iii) securities issued upon conversion or exercise of any derivative securities outstanding on the date the Certificate of Designations is first filed with the Delaware Secretary of State, and (iv) securities issued in connection with a stock split, stock dividend, combination, reorganization, recapitalization or other similar event for which adjustment to the conversion ratio of the Preferred Stock is already made. The shares of Preferred Stock are also subject to forced conversion upon the occurrence of a transaction that would result in an internal rate of return to the holders of the Preferred Stock of 25% or more. The forced conversion is to be based upon the conversion ratio as last adjusted. Notwithstanding the foregoing, no shares of Preferred Stock will be subject to forced conversion unless the shares of common stock issued or issuable to the holders upon conversion of the Preferred Stock are registered for resale with the Securities and Exchange Commission and eligible for trading on The Nasdaq Stock Market or such other exchange approved by holders of 66 2/3% of the then outstanding shares of Preferred Stock. Accrued but unpaid dividends on the Preferred Stock are to be paid in cash upon any conversion of the Preferred Stock.

The holders of Preferred Stock vote together as a single class with the holders of the Company's common stock on all actions to be taken by the Company's stockholders. Each share of Preferred Stock entitles the holder to the number of votes equal to the number of shares of Common Stock into which each share of Preferred Stock is convertible on all matters to be voted on by the

stockholders of the Corporation; provided however that, the number of votes for each share of Preferred Stock shall not exceed the number of shares of Common Stock into which each share of Preferred Stock would be convertible if the applicable Conversion Price were \$8.99 (subject to appropriate adjustment for stock splits, stock dividends, combinations and other similar recapitalizations affecting such shares). Notwithstanding the foregoing, the holders of Preferred Stock are afforded numerous customary protective provisions with respect to certain actions that may only be approved by holders of a majority of the shares of Preferred Stock. These protective provisions include limitations on (i) the increase or decrease of the number of authorized shares of Preferred Stock, (ii) increase or decrease of the number of authorized shares of other capital stock, (iii) generally any actions that have an adverse effect on the rights and preferences of the Preferred Stock, (iv) the authorization, creation or sale of any securities senior to or on parity with the Preferred Stock as to voting, dividend, liquidation or redemption rights, including subordinated debt, (v) the authorization, creation or sale of any securities junior to the Preferred Stock as to voting, dividend, liquidation or redemption rights, including subordinated debt, other than the Company's common stock, (vi) the authorization, creation or sale of any shares of Preferred Stock other than the shares of Preferred Stock authorized, created and sold under the Purchase Agreement, (vii) engaging in a transaction that would result in an internal rate of return to holders of Preferred Stock of less than 25%, (viii) the alteration of the number of members of the Board of Directors of the Company to more than nine or less than seven, and (ix) effecting any material change in the Company's industry focus.

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The holders of the Preferred Stock are afforded preemptive rights with respect to certain securities offered by the Company. Each holder has the right to purchase a pro rata portion of such securities equivalent to the number of shares of common stock into which that holder's Preferred Stock is convertible, divided by the number of shares of common stock into which all holders' Preferred Stock is convertible, plus any amounts not purchased by other holders of Preferred Stock. In the event of a public offering of the Company's common stock for a purchase price of at least \$12 per share and a total aggregate offering price of at least \$50 million, the preemptive rights of the holders of Preferred Stock are to be limited to 50% of the securities offered. Notwithstanding the foregoing, certain proposed securities offerings will not result in preemptive rights in favor of the holders of the Preferred Stock. These offerings include offerings of Anti-Dilution Excluded Securities as well as the issuance of securities other than for cash pursuant to a merger, consolidation, acquisition or similar business combination by the Company approved by the Board of Directors of the Company.

The holders of Preferred Stock are entitled to redemption rights. Holders of 66 2/3% of the Preferred Stock may elect redemption upon the occurrence of certain specified events. The number of shares of Preferred Stock to be redeemed is to be determined by dividing the balance of the restricted cash amount (as provided for in the Deposit Agreement described below) by \$80 million. The redemption price is equal to the per share purchase price of the Preferred Stock, which is subject to adjustment as discussed above and in the Certificate of Designations, plus any accrued but unpaid dividends, plus any amount sufficient to yield an internal rate of return of 5%. If less than all Preferred Stock is to be redeemed, then shares of Preferred Stock are to be redeemed on a pro rata basis from the holders of the Preferred Stock in proportion to the number of shares of Preferred Stock held by them. The events triggering redemption rights include, (i) the withdrawal or use by the Company of funds from the restricted cash account (as provided for in the Deposit Agreement described below) in violation of the terms of the Deposit Agreement, (ii) the public disclosure by the Company of its intent not to build or acquire additional ethanol production facilities for an indefinite period or for a period of at least two years from the time of the disclosure, (iii) the failure by the Company to withdraw any funds from the restricted cash account for a period of two years, and (iv) amounts remain in the restricted cash account after December 31, 2009.

DEPOSIT AGREEMENT DATED APRIL 13, 2006 BETWEEN PACIFIC ETHANOL, INC.  
AND COMERICA BANK

The Deposit Agreement between the Company and Comerica Bank (the "Deposit Agreement"), was executed at the Closing. The Deposit Agreement provides for the creation of a restricted cash account into which \$80 million of the aggregate purchase price for the Preferred Stock was deposited. The Company

may not withdraw funds from the restricted cash account except in accordance with the terms of the Deposit Agreement. Under the Deposit Agreement, the Company may requisition funds from the restricted cash account for the payment of construction costs in connection with the construction of ethanol production facilities. The total amounts that may be disbursed from the restricted cash account with respect to a particular ethanol production facility are limited to a specified project limit. The project limit for the Company's proposed ethanol production facility in Madera County, California is \$20 million. The project limit for other ethanol production facilities to be constructed by the Company, if any, is the "equity portion" multiplied by the total budgeted costs of construction for such facility. The "equity portion" is limited to 30% for the first ethanol production facility, not including the Madera County facility, and 25% for each subsequent ethanol production facility.

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The Company may, with the consent of the Purchaser, also requisition funds from the restricted cash account for the payment of acquisition costs in connection with the acquisition of one or more ethanol production facilities. In addition, the Company may requisition funds from the restricted cash account to pay for the redemption of the Preferred Stock as provided in the Certificate of Designations.

REGISTRATION RIGHTS AND STOCKHOLDERS AGREEMENT DATED APRIL 13, 2006  
BETWEEN PACIFIC ETHANOL, INC. AND CASCADE INVESTMENT, L.L.C.

The Registration Rights and Stockholders Agreement (the "Rights Agreement") between the Company and the Purchaser was executed at the Closing. The Rights Agreement is to be effective until the holders of the Preferred Stock, and their affiliates, as a group, own less than 10% of the Preferred Stock issued under the Purchase Agreement, including common stock into which such Preferred Stock has been converted (the "Termination Date"). The Rights Agreement provides that holders of a majority of the Preferred Stock, including common stock into which such Preferred Stock has been converted, may demand and cause the Company, at any time after the first anniversary of the Closing, to register on their behalf the shares of common stock issued, issuable or that may be issuable upon conversion of the Preferred Stock (the "Registrable Securities"). Following such demand, the Company is required to notify any other holders of the Preferred Stock or Registrable Securities of its intent to file a registration statement and, to the extent requested by such holders, include them in the related registration statement. The Company is required to keep such registration statement effective until such time as all of the Registrable Securities are sold or until such holders may avail themselves of Rule 144(k), which requires, among other things, a minimum two-year holding period and requires that any holder availing itself of Rule 144(k) not be an affiliate of the Company. The holders are entitled to three demand registrations on Form S-1 and unlimited demand registrations on Form S-3; however, the Company is not obligated to effect more than two demand registrations on Form S-3 in any twelve month period.

In addition to the demand registration rights afforded the holders under the Rights Agreement, the holders are entitled to "piggyback" registration rights. These rights entitle the holders who so elect to be included in registration statements to be filed by the Company with respect to other registrations of equity securities. The holders are entitled to unlimited "piggyback" registration rights.

Certain customary limitations to the Company's registration obligations are included in the Rights Agreement. These limitations include the right of the Company to, in good faith, delay or withdrawal registrations requested by the holders under demand and "piggyback" registration rights, and the right to exclude certain portions of holders' Registrable Securities upon the advice of its underwriters. Following the registration of securities in which holders' Registrable Securities are included, the Company is obligated to refrain from registering any of its equity securities or securities convertible into equity securities until the earlier of the sale of all Registrable Securities subject to such registration statement and 180-days following the effectiveness of such registration statement. The Rights Agreement also provides for customary registration procedures. The Company is responsible for all costs of registration, plus reasonable fees of one legal counsel for the holders, which fees are not to exceed \$25,000 per registration.

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The Rights Agreement includes customary cross-indemnity provisions under which the Company is obligated to indemnify the holders and their affiliates as a result of losses caused by untrue or allegedly untrue statements of material fact contained or incorporated by reference in any registration statement under which Registrable Securities are registered, including any prospectuses or amendments related thereto. The Company's indemnity obligations also apply to omissions of material facts and to any failure on the part of the Company to comply with any law, rule or regulation applicable to such registration statement. Each holder is obligated to indemnify the Company and its affiliates as a result of losses caused by untrue or allegedly untrue statements of material fact contained in any registration statement under which Registrable Securities are registered, including any prospectuses or amendments related thereto, which statements were furnished in writing by that holder to the Company, but only to the extent of the net proceeds received by that holder with respect to securities sold pursuant to such registration statement. The holders' indemnity obligations also apply to omissions of material facts on the part of the holders.

The Rights Agreement provides for the nomination of two individuals by the Purchaser for election to the Board of Directors of the Company. In addition, the Purchaser is entitled to appoint directors or managers with respect to the Company's subsidiaries. The Company is also required to permit one of the Purchaser's director designees or other designee to attend, as a non-voting observer, all meetings of the Company's Executive Committee, when and if formed, the Company's Audit Committee, and the boards of directors of subsidiaries of the Company to the extent there is no existing director designee or other designee of the Purchaser in attendance. The Company is also required to send to Purchaser's director or other designee all information and materials provided by the Company to any members of such committees and boards of directors. In addition, the Company is obligated to cause each person serving from time to time as an executive officer, director or manager of the Company or any subsidiary, to execute a voting letter that grants an irrevocable proxy to the Purchaser with respect to securities held by such persons to vote to carry out the foregoing provisions.

The Rights Agreement provides for the initial appointment of two persons designated by the Purchaser to the Board of Directors of the Company, and the appointment of one of such persons as the Chairman of the Compensation Committee of the Board of Directors of the Company. Following the Termination Date, the Purchaser is required to cause its director designees, and all other designees, to resign from all applicable committees and boards of directors, effective as of the Termination Date.

The Rights Agreement also provides for the delivery by the Company of financial information regarding the Company within certain specified time periods following the conclusion of each calendar quarter and the full calendar year. In addition, the Rights Agreement provides for reasonable access on the part of the Purchaser to all of the Company's books, records and other information and the opportunity to discuss the same with management of the Company.

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(2) LOAN FINANCING FROM HUDSON UNITED CAPITAL AND COMERICA BANK

CONSTRUCTION AND TERM LOAN AGREEMENT DATED APRIL 10, 2006 BY AND AMONG PACIFIC ETHANOL MADERA LLC, COMERICA BANK AND HUDSON UNITED CAPITAL, A DIVISION OF TD BANKNORTH, N.A.

On April 13, 2006, one of our indirect wholly-owned subsidiaries, Pacific Ethanol Madera LLC ("PEI Madera"), entered into a Construction and Term Loan Agreement dated April 10, 2006 (the "Construction Loan"), with Hudson United Capital, a division of TD Banknorth, N.A. ("Hudson") and Comerica Bank ("Comerica"). This debt financing ("Debt Financing") is in the aggregate amount of up to approximately \$34.0 million and will provide a portion of the total financing necessary for the completion of our ethanol production facility in Madera County (the "Project"). The Project cost is not to exceed approximately \$65.1 million (the "Project Cost").

Subject to the terms and conditions of the Construction and Term Loan Agreement and related documents, Hudson will fund up to \$22.1 million and Comerica will fund up to \$11.9 million of the Debt Financing. The Debt Financing

includes customary representations, warranties, covenants, default and other provisions.

Substantial completion of the Project is to occur within 425 days of the final notice to proceed. The final completion date is the date that the Project (a) has successfully been constructed and completed; (b) has passed all performance and acceptance tests reasonably acceptable to Hudson and Comerica and their engineer; and (c) the engineer has provided an acceptable completion certificate (the "Final Completion Date"). The Final Completion Date is to occur within 545 days from the notice to proceed.

The Debt Financing will initially be in the form of a construction loan (the "Construction Loan"), that will mature on or before the Final Completion Date, after which the Debt Financing will be converted to a term loan (the "Term Loan"), that will mature on the seventh anniversary of the closing of the Term Loan. If the conversion does not occur and PEI Madera elects to repay the Construction Loan, then PEI Madera must pay a termination fee equal to 5.00% of the amount of the Construction Loan. The closing of the Term Loan is expected to be the Final Completion Date. The Construction Loan interest rate will float at a rate equal to the 30-day London Inter Bank Offered Rate ("LIBOR"), plus 3.75%. PEI Madera will be required to pay the Construction Loan interest monthly during the term of the Construction Loan. The Term Loan interest rate will float at a rate equal to the 90-day LIBOR plus 4.00%. PEI Madera will be required to purchase interest rate protection in the form of a LIBOR rate cap of no more than 5.50% from a provider on terms and conditions reasonably acceptable to Hudson, and in an amount covering no less than 70% of the principal outstanding on any loan payment date commencing on the first draw down date through the fifth anniversary of the Term Loan. Loan repayments on the Term Loan are to be due quarterly in arrears for a total of 28 payments beginning on the closing of the Term Loan and ending on its maturity date. The loan amortization for the Project will be established on the closing of the Term Loan based upon the operating cash projected to be available to PEI Madera from the Project as determined by closing pro forma projections. The Debt Financing will be senior to all obligations of the Project and PEI Madera other than direct Project operating expenses and expenses incurred in the ordinary course of business. All direct and out-of-pocket expenses of Pacific Ethanol or our direct and indirect subsidiaries will be reimbursed only after the repayment of the Debt Financing obligations.

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The Term Loan amount is to be the lesser of (i) \$34.0 Million, (ii) 52.25% of the total Project cost as of the Term Loan conversion date, and (iii) an amount equal to the present value (discounted at an interest rate of 9.5% per annum) of 43.67% of the operating cash distributable to and received by PEI Madera supported by the closing pro forma projections, from the closing of Term Loan through the seventh anniversary of such closing.

CONSTRUCTION LOAN NOTE DATED APRIL 13, 2006 BY PACIFIC ETHANOL MADERA LLC IN FAVOR OF HUDSON UNITED CAPITAL, A DIVISION OF TD BANKNORTH, N.A.

The Debt Financing is partially memorialized by a Construction Loan Note dated April 13, 2006 by PEI Madera in favor of Hudson. The Construction Loan Note in favor of Hudson has a face value of \$22.1 million. This Construction Loan Note is due October 13, 2007 and contains customary terms and conditions.

CONSTRUCTION LOAN NOTE DATED APRIL 13, 2006 BY PACIFIC ETHANOL MADERA LLC IN FAVOR OF COMERICA BANK

The Debt Financing is partially memorialized by a Construction Loan Note dated April 13, 2006 by PEI Madera in favor of Comerica. The Construction Loan Note in favor of Comerica has a face value of \$11.9 million. This Construction Loan Note is due October 13, 2007 and contains customary terms and conditions.

ASSIGNMENT AND SECURITY AGREEMENT DATED APRIL 13, 2006 BY AND BETWEEN PACIFIC ETHANOL MADERA LLC AND HUDSON UNITED CAPITAL, A DIVISION OF TD BANKNORTH, N.A.

MEMBER INTEREST PLEDGE AGREEMENT DATED APRIL 13, 2006 BY PACIFIC ETHANOL MADERA LLC IN FAVOR OF HUDSON UNITED CAPITAL, A DIVISION OF TD BANKNORTH, N.A.

DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND  
FIXTURE FILING DATED APRIL 13, 2006 BY PACIFIC ETHANOL MADERA LLC IN  
FAVOR OF HUDSON UNITED CAPITAL, A DIVISION OF TD BANKNORTH, N.A.

On April 13, 2006, PEI Madera entered into (a) an Assignment and Security Agreement dated April 13, 2006 with Hudson, (b) a Membership Interest Pledge Agreement dated April 13, 2006 with Hudson, and (c) a Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated April 13, 2006 in favor of Hudson. Under these Agreements, the Debt Financing is secured by: (i) a perfected first priority security interest in all of the assets of PEI Madera, including inventories and all right title and interest in all tangible and intangible assets of the Project; (ii) a perfected first priority security interest in the Project's grain facility, including all of PEI Madera's and Pacific Ethanol's and its affiliates' right title and interest in all tangible and intangible assets of the Project's grain facility; (iii) a pledge of 100% of the ownership interest in PEI Madera; (iv) a pledge of the PEI Madera's ownership interest in the Project; (v) an assignment of all revenues produced by the Project and PEI Madera; (vi) the pledge and assignment of the material Project documents, to the extent assignable; (vii) all contractual cash flows associated with such agreements; and (viii) any other collateral security as Hudson may reasonably request.

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DISBURSEMENT AGREEMENT DATED APRIL 13, 2006 BY AND AMONG PACIFIC  
ETHANOL MADERA LLC, HUDSON UNITED CAPITAL, A DIVISION OF TD BANKNORTH,  
N.A., COMERICA BANK AND WEALTH MANAGEMENT GROUP OF TD BANKNORTH, N.A.

On April 13, 2006, PEI Madera entered into a Disbursement Agreement dated April 13, 2006 with Hudson, Comerica and Wealth Management Group of TD Banknorth, N.A. Under the terms of the Disbursement Agreement, Hudson and Comerica are, from time to time, to fund a construction draw account ("CDA") with Debt Financing proceeds in an amount equal to PEI Madera's draw request, subject to the draw schedule. PEI Madera is to submit a Project construction and draw schedule in order to obtain amounts deposited into the CDA. The Debt Financing is to be used to finance a portion of qualified project construction expenses, as approved by PEI Madera and Hudson's engineer ("QPCEs"), not funded by the Contributed Amount. Beginning on the closing of the Construction Loan, and continuing for all future draws, PEI Madera will be permitted to withdraw monthly up to 100% of the QPCEs, including amounts necessary to pay interest, but only up to the amount held in the CDA, provided that no event of default has occurred and is continuing, and the withdrawal does not exceed the amount referenced in the draw schedule. On each draw subsequent to the funding of amounts into the CDA, the Hudson will withdraw from the CDA the accrued interest on the Debt Financing.

All revenue from the Project is to be placed in a project revenue account, which is to be an interest bearing lock-box account controlled by Hudson (the "PRA"). Hudson is to designate an escrow agent as trustee for the PRA. PEI Madera is to assign all cash available to PEI Madera from the Project to the PRA. Withdrawals can be made from the PRA only for qualified operating and maintenance expenses, principal and interest for debt service, fees and qualified expenses of Hudson and Comerica, amounts necessary to fund reserves to required levels, mandatory prepayments, payment of any QPCEs, and distributions to PEI Madera and the Company. PEI Madera may withdraw excess funds from the PRA after the payments above have been satisfied.

Upon the closing of the Term Loan, and on each of the first three payment dates, PEI Madera is to fund a debt service reserve account ("DSRA") in an amount equal to the scheduled debt service payments that are projected to be due on the succeeding two payment dates. On the fourth and each subsequent payment date, PEI Madera is to fund the DSRA in an amount equal to the scheduled debt service payments that are projected to be due on the succeeding four payments dates. Once funded, PEI Madera is to maintain funds in the DSRA in an amount equal to the required balance, such that subsequent to the closing of the Term Loan, if there is at any time a shortfall between the amount contained in the DSRA and the required balance, as provided above, then the amount of such shortfall is to be funded from 100% of operating cash after the payment of scheduled debt service payments. PEI Madera will be prohibited from making any distributions or any payment until the DSRA is fully funded up to the amount of the required balance.

The minimum debt service coverage ratio is to be no less than 1.5 to 1.0. In the event that the debt service coverage ratio falls below the stated minimum, then all excess funds in the project revenue account after the debt service payments on the Term Loan and the payment of operating expenses are to be deposited into the DSRA until such time as the DSRA has reached the required balance plus any additional required balance.

The trustee of the PRA will be required to utilize all operating cash towards the payment of all obligations of PEI Madera in the following order of priority: (a) on a monthly basis, on approved and qualified operating and maintenance expenses with respect to the Project, property taxes, assessments and other expenses approved by the Hudson; and (b) on a quarterly basis, all interest, fees, and expenses due Hudson and Comerica, all scheduled principal payments due under the Term Loan, any amount necessary to fund the DSRA to its required balances or adjusted required balance, mandatory prepayments due under the Term Loan, supplemental amortization payments due under the Term Loan, supplemental principal payments due under the Term Loan, and distributions to PEI Madera and the Company.

(3) LYLES DIVERSIFIED, INC.

AMENDED AND RESTATED TERM LOAN AGREEMENT EFFECTIVE AS OF APRIL 13, 2006 BY AND BETWEEN LYLES DIVERSIFIED, INC. AND PACIFIC ETHANOL MADERA LLC

On April 13, 2006, PEI Madera entered into an Amended and Restated Term Loan Agreement ("Amended and Restated Term Loan Agreement") dated April 13, 2006 with Lyles Diversified, Inc. ("Lyles"). Under this Amended and Restated Term Loan Agreement the Company was replaced by PEI Madera as the obligor under the Agreement.

The Amended and Restated Term Loan Agreement provides that the outstanding principal amount on the loan is \$3.6 million. Outstanding principal amounts accrued interest at the rate of five percent per annum through June 19, 2004 and accrue interest at a rate per annum equal to the prime rate as published in THE WALL STREET JOURNAL plus two percentage points from June 20, 2004 until maturity. One-third of the principal outstanding on June 20, 2006 is payable on that date and one-half of the principal outstanding on June 20, 2007 is payable on that date. All remaining outstanding principal, together with any accrued interest thereon, is due and payable on June 20, 2008. PEI Madera will be required to prepay principal outstanding in the event that (i) PEI Madera's construction cost for its Madera facility is less than \$42.6 million, in which case PEI Madera is then required to pay the difference between the actual construction cost and \$42.6 million, up to the full amount of the principal outstanding, or (ii) PEI Madera obtains construction financing for its second facility to be constructed, in which case PEI Madera is then required to pay all principal and accrued interest outstanding. The Amended and Restated Term Loan Agreement contains standard representations and warranties, covenants, events of default and remedies upon the occurrence of an event of default. Amounts owed by and obligations of PEI Madera under the Amended and Restated Term Loan Agreement are subordinated to amounts owed by and obligations of PEI Madera to Hudson and Comerica in connection with the Construction Loan.

LETTER AGREEMENT DATED AS OF APRIL 13, 2006 BY AND AMONG PACIFIC ETHANOL CALIFORNIA, INC., LYLES DIVERSIFIED, INC. AND PACIFIC ETHANOL MADERA LLC

On April 13, 2006, PEI Madera and Pacific Ethanol California, Inc. ("PEI California"), one of our direct wholly-owned subsidiaries, entered into a Letter Agreement (the "Letter Agreement") dated as of April 13, 2006 with Lyles. The Letter Agreement provides that in the event that PEI Madera is prevented from paying principal amounts owed to Lyles under the Amended and Restated Term Loan Agreement as a result of the subordination of such amounts by Lyles in favor of Hudson and Comerica, then PEI California is to pay such amounts.

DEED OF TRUST (NON-CONSTRUCTION) SECURITY AGREEMENT AND FIXTURE FILING WITH ASSIGNMENT OF RENTS DATED APRIL 13, 2006 BY PACIFIC ETHANOL MADERA LLC IN FAVOR OF LYLES DIVERSIFIED, INC.

In connection with the Amended and Restated Term Loan Agreement, Lyles



was granted a security interest in the real property on which the PEI Madera's facility is to be constructed pursuant to a Deed of Trust (Non-Construction) Security Agreement and Fixture Filing with Assignment of Rents dated April 13, 2006 by PEI Madera in favor of Lyles.

(4) INDEMNIFICATION AGREEMENTS - THOMAS AND KIETA

INDEMNIFICATION AGREEMENT DATED APRIL 13, 2006 BETWEEN PACIFIC ETHANOL, INC. AND ROBERT THOMAS

INDEMNIFICATION AGREEMENT DATED APRIL 13, 2006 BETWEEN PACIFIC ETHANOL, INC. AND DOUGLAS L. KIETA

Effective as of April 13, 2006, the Company entered into Indemnification Agreements with each of Robert Thomas and Douglas L. Kieta (each, an "Indemnitee") in connection with service by Messrs. Thomas and Kieta as members of the Board of Directors of the Company. Messrs. Thomas and Kieta were appointed as members of the Board of Directors of the Company on April 13, 2006. The form of Indemnification Agreement is included as Exhibit 10.15 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 or Losses 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.

"Expenses" means all costs, charges and expenses incurred in connection with a proceeding, including, without limitation, attorneys' fees, disbursements and retainers, accounting and witness fees, travel and deposition costs, expenses of investigations, judicial or administrative proceedings or appeals, and any expenses of establishing a right to indemnification pursuant to the agreement or otherwise, including reasonable compensation for time spent by the Indemnitee in connection with the investigation, defense or appeal of a proceeding or action for indemnification for which he is not otherwise compensated by the Company or any third party; provided, however, that the term "Expenses" does not include Losses.

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"Losses" means any amount which Indemnitee pays or is obligated to pay in connection with a proceeding, including, without limitation, (i) the amount of damages, judgments, amounts paid in settlement, fines or penalties relating to any proceeding, (ii) sums paid in respect of any deductible under any applicable director and officer insurance or (iii) excise taxes under the Employee Retirement Income Security Act of 1974, as amended, relating to any proceeding, either of which are actually levied against the Indemnitee or paid by or on behalf of the Indemnitee; provided, however, that the term "Losses" does not include Expenses.

With respect to any proceeding that is other than by or in the right of the Company, the Indemnitee may require the Company to defend him. In the event that Indemnitee requires the Company to defend him, the Company must promptly undertake to defend any such proceeding at the Company's sole expense, employing counsel satisfactory to the Indemnitee. If the Company fails timely to defend, contest or otherwise protect the Indemnitee against any proceeding which is not by or in the right of the Company, the Indemnitee shall have the right to do so, including without limitation, the right to make any compromise or settlement thereof, and to recover from the Company all Expenses and Losses and amounts paid as a result thereof.

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.

No indemnification payments or payments for Expenses or Losses may be made by the Company under the agreement (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 or Losses 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 or Losses 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 or Losses 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 or Losses 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 or Losses 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.

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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.

(5) INDEMNIFICATION AGREEMENTS - EXECUTIVE OFFICERS AND DIRECTORS

INDEMNIFICATION AGREEMENTS BETWEEN PACIFIC ETHANOL, INC. AND EACH OF ITS EXECUTIVE OFFICERS AND DIRECTORS

The Company entered into new Indemnification Agreements effective as of April 13, 2006 with each of its executive officers and members of its Board of Directors other than Messrs. Thomas and Kieta in connection with service to the Company by such persons. The form of Indemnification Agreement is included as Exhibit 10.15 to this Report on Form 8-K.

ITEM 2.03 CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT

(a) Effective as of April 13, 2006, the Company consummated a Loan Financing Transaction with Hudson United Capital and Comerica Bank as described above under Item 1.01.

(b) Not applicable.

ITEM 3.03 MATERIAL MODIFICATION TO RIGHTS OF SECURITY HOLDERS

(a) Not applicable.

(b) Effective as of April 13, 2006, the Company consummated the sale of its Series A Preferred Stock to Cascade Investment, L.L.C. as described above under Item 1.01. The rights and preferences of the Series A Preferred Stock are set forth in the Certificate of Designations, Powers, Preferences and Rights of the Series A Cumulative Redeemable Convertible Preferred Stock as also described above under Item 1.01.

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

(a) Not applicable.

(b) Effective as of April 13, 2006, Charles W. Bader and Kenneth J. Friedman each resigned as members of the Board of Directors of the Company. Effective as of April 13, 2006, Mr. Friedman also resigned as a member of the Audit, Nominating and Corporate Governance, and Compensation Committees of the Board of Directors of the Company.

(c) Not applicable.

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(d) Effective as of April 13, 2006, the Board of Directors of the Company appointed Robert Thomas and Douglas L. Kieta as members of the Board of Directors of the Company. Effective as of April 13, 2006, the Board of Directors of the Company also appointed Mr. Thomas as a member of the Audit and Compensation Committees of the Board of Directors of the Company and appointed Mr. Kieta as a member of the Nominating and Governance Committee of the Board of Directors of the Company. Effective as of April 13, 2006, Mr. Thomas was also appointed as the Chairman of the Compensation Committee.

Messrs. Thomas and Kieta were appointed by the Board of Directors of the Company as contemplated by the Registration Rights and Stockholders Agreement described above.

ITEM 5.03 AMENDMENTS TO ARTICLES OF INCORPORATION OR BYLAWS; CHANGE IN FISCAL YEAR

(a) Effective as of April 13, 2006, the Company consummated the sale of its Series A Preferred Stock to Cascade Investment, L.L.C. as described above under Item 1.01. The rights and preferences of the Series A Preferred Stock are set forth in the Certificate of Designations, Powers, Preferences and Rights of the Series A Cumulative Redeemable Convertible Preferred Stock as also described above under Item 1.01.

(b) Not applicable.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Businesses Acquired.

None.

(b) Pro Forma Financial Information.

None.

(c) Exhibits.

Number	Description
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10.1	Purchase Agreement dated November 14, 2005 between Pacific Ethanol, Inc. and Cascade Investment, L.L.C. (1)
10.2	Certificate of Designations, Powers, Preferences and Rights of the Series A Cumulative Redeemable Convertible Preferred Stock (2)
10.3	Deposit Agreement dated April 13, 2006 by and between Pacific Ethanol, Inc. and Comerica Bank (2)
10.4	Registration Rights and Stockholders Agreement dated as of April 13, 2006 by and between Pacific Ethanol, Inc. and Cascade Investment, L.L.C. (2)

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10.5 Construction and Term Loan Agreement dated April 10, 2006 by and among Pacific Ethanol Madera LLC, Comerica Bank and Hudson United Capital, a

- division of TD Banknorth, N.A. (2)
- 10.6 Construction Loan Note dated April 13, 2006 by Pacific Ethanol Madera LLC in favor of Hudson United Capital, a division of TD Banknorth, N.A. (2)
- 10.7 Construction Loan Note dated April 13, 2006 by Pacific Ethanol Madera LLC in favor of Comerica Bank (2)
- 10.8 Assignment and Security Agreement dated April 13, 2006 by and between Pacific Ethanol Madera LLC and Hudson United Capital, a division of TD Banknorth, N.A. (2)
- 10.9 Member Interest Pledge Agreement dated April 13, 2006 by Pacific Ethanol Madera LLC in favor of Hudson United Capital, a division of TD Banknorth, N.A. (2)
- 10.10 Disbursement Agreement dated April 13, 2006 by and among Pacific Ethanol Madera LLC, Hudson United Capital, a division of TD Banknorth, N.A., Comerica Bank and Wealth Management Group of TD Banknorth, N.A. (2)
- 10.11 Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated April 13, 2006 by Pacific Ethanol Madera LLC in favor of Hudson United Capital, a division of TD Banknorth, N.A. (\*)
- 10.12 Amended and Restated Term Loan Agreement effective as of April 13, 2006 by and between Lyles Diversified, Inc. and Pacific Ethanol Madera LLC (2)
- 10.13 Letter Agreement dated as of April 13, 2006 by and among Pacific Ethanol California, Inc., Lyles Diversified, Inc. and Pacific Ethanol Madera LLC (2)
- 10.14 Deed of Trust (Non-Construction) Security Agreement and Fixture Filing with Assignment of Rents dated April 13, 2006 by Pacific Ethanol Madera LLC in favor of Lyles Diversified, Inc. (\*)
- 10.15 Form of Indemnification Agreement between the Company and each of its Executive Officers and Directors (2)

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\* Filed herewith.

- (1) Filed as an exhibit to the Company's current report on Form 8-K for November 10, 2005 filed with the Securities and Exchange Commission on November 15, 2005 and incorporated herein by reference.
- (2) Filed as an exhibit to the Company's annual report on Form 10-KSB for December 31, 2005 (File No. 0-21467) filed with the Securities and Exchange Commission on April 14, 2006 and incorporated herein by reference.

SIGNATURES

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

Date: April 19, 2006

PACIFIC ETHANOL, INC.

By: /S/ WILLIAM G. LANGLEY

-----  
William G. Langley, Chief Financial Officer

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EXHIBITS FILED WITH THIS REPORT

Number -----	Description -----
10.11	Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated April 13, 2006 by Pacific Ethanol Madera LLC in favor of Hudson United Capital, a division of TD Banknorth, N.A.
10.14	Deed of Trust (Non-Construction) Security Agreement and Fixture Filing with Assignment of Rents dated April 13, 2006 by Pacific Ethanol Madera LLC in favor of Lyles Diversified, Inc.

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PACIFIC ETHANOL MADERA LLC  
(Trustor)

to

CHICAGO TITLE COMPANY  
(Trustee)

for the Benefit of

HUDSON UNITED CAPITAL, A DIVISION OF TD BANKNORTH, N.A.,  
as Administrative Agent  
(Beneficiary)

-----  
DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,  
SECURITY AGREEMENT AND FIXTURE FILING  
(Floating Rate Loan)

Dated: April 13, 2006

Property Location: Madera, California

DOCUMENT PREPARED BY AND WHEN RECORDED, RETURN TO:

Baker & McKenzie LLP  
One Prudential Plaza  
130 E. Randolph  
Chicago, IL 60601  
Attention: Christopher L. Kopecky

=====  
This DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "Deed of Trust"), made as of April 13, 2006, by PACIFIC ETHANOL MADERA LLC, a Delaware limited liability company ("Trustor"), 31470 Avenue 12, Madera, California 93638, to CHICAGO TITLE COMPANY, having an address of 7730 North Palm, Suite 101, Fresno, California 93711 ("Trustee"), as Trustee, for the benefit of HUDSON UNITED CAPITAL, A DIVISION OF TD BANKNORTH, N.A., a national banking association as Administrative Agent (together with its successors and assigns, hereinafter referred to as "Beneficiary"), having an address of 101 Post Road East, Westport, Connecticut 06880.

WITNESSETH

WHEREAS, Trustor is the owner of the real property described on Exhibit A attached hereto (the "Site");

WHEREAS, Trustor proposes to construct and operate on the Site an ethanol production facility and other facilities that are ancillary, incidental, necessary or related to the marketing, management, servicing, ownership or operation of the foregoing (the "Project");

WHEREAS, Trustor and Beneficiary have entered into a Construction and Term Loan Agreement dated as of the date hereof (as amended, modified, restated, consolidated or supplemented from time to time, the "Loan Agreement") pursuant to which Beneficiary is making secured loans to Trustor in the aggregate maximum principal amount of up to Thirty Four Million Dollars (\$34,000,000.00) (the "Loan");

WHEREAS, the Loan is evidenced by Construction Loan Notes dated the date hereof made by Trustor to Beneficiary (as the same may be amended, modified, restated, severed, consolidated, renewed, replaced, or supplemented from time to time, including without limitation, by Term Loan Notes, the "Notes"); and

WHEREAS, capitalized terms not otherwise defined in this Deed of Trust shall have the respective meanings given such terms in the Loan Agreement and the Loan Agreement will control the implementation and interpretation of this Deed of Trust in the event of inconsistency between the two documents;

NOW, THEREFORE, to secure the payment of the Notes and all sums which may or shall become due thereunder or under any of the other documents evidencing, securing or executed in connection with the Loan (the Notes, this Deed of Trust, the Loan Agreement and such other documents, as any of the same may, from time to time, be modified, amended or supplemented, being hereinafter collectively referred to as the "Loan Documents"), Trustor has given, granted, bargained, sold, alienated, enfeoffed, conveyed, confirmed, warranted, pledged, assigned and hypothecated and by these presents does hereby give, grant, bargain, sell, alien, enfeoff, convey, confirm, warrant, pledge, assign and hypothecate unto Trustee, in trust for the benefit of Beneficiary, WITH POWER OF SALE, all right, title, interest and estate of Trustor in and to the Site, and the buildings, structures, fixtures and other improvements now or hereafter located thereon;

TOGETHER WITH: all right, title, interest and estate of Trustor now owned, or hereafter acquired, in and to the following property, rights, interests and estates (the property, rights, interests and estates hereinafter described are collectively referred to herein as the "Trust Property"):

(a) the Site;

(b) all buildings, improvements and fixtures now or hereafter located on the Site, including, but not limited to, the Project and the Grain Facilities (the "Improvements");

(c) all of the estate, right, title, claim or demand of any nature whatsoever of Trustor, either in law or in equity, in possession or expectancy, in and to the Site and the Improvements or any part thereof;

(d) any and all easements, rights-of-way, gores of land, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments, revocable consents, options, appendages and appurtenances of any nature whatsoever, in any way belonging, relating or pertaining to the Trust Property (including, but not limited to, any and all development rights, option rights, air rights or similar or comparable rights of any nature whatsoever now or hereafter appurtenant to the Site or now or hereafter transferred to the Site) and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Site to the center line thereof;

(e) all machinery, apparatus, equipment, fittings, fixtures and other property of every kind and nature whatsoever owned by Trustor, or in which Trustor has an interest, now or hereafter located upon the Site, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Trust Property and all equipment, materials, supplies, apparatus and other items now or hereafter attached to, installed in or used on the Site (temporarily or permanently) of any nature whatsoever and all renewals, replacements and substitutions thereof and additions thereto, including but not limited to any and all partitions, ducts, shafts, pipes, radiators, conduits, wiring, floor coverings, awnings, motors, engines, boilers, stokers, pumps, dynamos, transformers, turbines, generators, fans, blowers, vents, switchboards, elevators, mail or coal conveyors, escalators, compressors, furnaces, cleaning equipment, call and sprinkler systems, fire extinguishing apparatus, water and other tanks, heating, ventilating, plumbing, laundry, incinerating, air conditioning and air cooling systems and water, gas, telephone, telecommunications, telemetry and electric equipment (collectively, the "Equipment");

(f) all awards or payments, including interest thereon, and the right to receive the same, which may be made with respect to the Trust Property, whether from state fund sharing or from the exercise of the right of eminent domain (including any transfer made in lieu of the exercise of said right), changes of grade of street or for any other injury to or decrease in the value of the Trust Property, whether direct or consequential, which said awards and payments are hereby assigned to Beneficiary, and

Beneficiary is hereby authorized to collect and receive the proceeds thereof and to give proper receipts and acquittances therefor;

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(g) all refunds or rebates of Taxes (as hereinafter defined) or charges in lieu of Taxes now or hereafter assessed or levied against the Trust Property;

(h) all franchises, concessions, permits, licenses, contracts and other agreements relating to the operation and use of the Trust Property;

(i) all leases (including oil, gas and other mineral leases), subleases, real property licenses, and other agreements granting rights to use or occupy the Trust Property now or hereafter entered into and any renewals or extensions thereof (collectively, the "Leases"; provided, however, that the term Leases shall not include any operation and maintenance agreements, management agreements or supply agreements related to the Trust Property);

(j) the right to receive and apply the rents, issues and profits of the Trust Property under the Leases (collectively, the "Rents") to the payment of the Obligations;

(k) all accounts (including reserve accounts), escrows, documents, instruments, chattel paper, claims, deposits and general intangibles, as the foregoing terms are defined in the Uniform Commercial Code of the State of California (the "Uniform Commercial Code") and all franchises, trade names, trademarks, symbols, service marks, books, records, plans, specifications, designs, drawings, surveys, title insurance policies, permits, consents, licenses, management agreements, contract rights (including any contract with any architect or engineer or with any other provider of goods or services for or in connection with any construction, repair or other work upon the Trust Property), approvals, actions, refunds of real estate taxes and assessments (and any other governmental impositions related to the Trust Property) and causes of action that now or hereafter relate to, are derived from or are used in connection with the Trust Property, or the use, operation, maintenance, occupancy or enjoyment thereof or the conduct of any business or activities;

(l) subject to the terms of the Loan Agreement, all proceeds of and any unearned premiums on any insurance policies covering the Trust Property, including without limitation the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Trust Property;

(m) to the extent permitted by Law, the right, in the name and on behalf of Trustor, to appear in and defend any action or proceeding brought with respect to the Trust Property and to commence any action or proceeding to protect the interest of Beneficiary in the Trust Property;

(n) all plans and specifications prepared for or in connection with the Improvements and all studies, data and drawings related thereto;

(o) all building materials and goods which are procured or are hereafter procured for use on or in connection with the Improvements or the construction of additional Improvements, whether or not such materials and goods have been delivered to the Site; and

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(p) all products and proceeds of any of the Trust Property herein described.

TO HAVE AND TO HOLD the above granted and described Trust Property unto and to the proper use and benefit of Beneficiary, and the successors and assigns of Beneficiary, forever, to secure the following obligations (hereinafter collectively referred to as the "Obligations"):

(i) payment of the indebtedness evidenced by the Notes delivered by Trustor to the Lenders pursuant to the Loan Agreement;



(ii) payment, performance and observance of each term, covenant and condition to be paid, performed or observed by Trustor under the Loan Agreement, the Notes and the other Loan Documents;

(iii) payment of all sums required to be paid and performance and observance of each term, covenant and condition contained in this Deed of Trust to be performed or observed by Trustor under this Deed of Trust;

(iv) payment of all sums expended or advanced by Beneficiary pursuant to the terms of this Deed of Trust, the Loan Agreement or any other Loan Documents;

(v) the payment of interest and other amounts which would accrue and become due but for the filing of a petition in bankruptcy (whether or not a claim is allowed against Trustor for such interest or other amounts in any such bankruptcy proceeding) or the operation of the automatic stay under Section 362(a) of Title 11 of the United States Code (the "Bankruptcy Code"), and

(vi) the costs and expenses of enforcing any provision of any Loan Document.

TO HAVE AND TO HOLD the Trust Property unto and to the use and benefit of Beneficiary and its successors and assigns, forever;

PROVIDED, HOWEVER, these presents are upon the express condition that, if Trustor shall well and truly pay to Beneficiary the Obligations at the time and in the manner provided in the Loan Documents and shall well and truly abide by and comply with each and every covenant and condition set forth in the Loan Documents in a timely manner, these presents and the estate hereby granted shall cease, terminate and be void;

AND Trustor represents and warrants to and covenants and agrees with Beneficiary as follows:

#### PART I - GENERAL PROVISIONS

1. Payment of Obligations and Incorporation of Covenants, Conditions and Agreements. Trustor shall pay the Obligations at the time and in the manner provided in the Loan Documents. All the covenants, conditions and agreements contained in the Loan Documents are hereby made a part of this Deed of Trust to

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the same extent and with the same force as if fully set forth herein. All advances made and all indebtedness arising and accruing under the Loan Agreement with respect to the Loans thereunder from time to time will be secured hereby.

2. Warranty of Title. Subject only to Permitted Liens, Trustor warrants that Trustor is the owner and holder of (i) a valid and subsisting fee estate in and to the Site, (ii) marketable title to the Improvements and Equipment, and (iii) good title to all other portions of the Trust Property. Trustor covenants that Trustor will as required by the Loan Agreement, at all times and at Trustor's sole expense warrant and defend the title to the Trust Property, subject to Permitted Liens, against the claims and demands of all persons whomsoever.

3. Insurance. Trustor will keep the Improvements and the Equipment insured as will, from time to time, be required in accordance with the Loan Agreement. If at any time Beneficiary is not in receipt of written evidence that all insurance required hereunder and under the Loan Agreement is in full force and effect, Beneficiary has the right to take such action as Beneficiary deems necessary to protect the Trust Property, including without limitation the obtaining of such insurance coverage as Beneficiary determines to be commercially reasonable, and all expenses incurred by Beneficiary in connection with such action or in obtaining such insurance and keeping it in effect will be paid or arranged to be paid by Trustor to Beneficiary upon demand. Any amounts not so paid or arranged to be paid by Trustor will be deemed secured by this Deed of Trust. Trustor will at all times comply with and will cause the Improvements and Equipment and the use, occupancy, operation, maintenance, alteration, repair and restoration thereof to comply in all material respects

with the terms, conditions, stipulations and requirements of the insurance policies procured and maintained pursuant to the Loan Agreement (the "Policies"). Because the Site is located in a Federally designated "special flood hazard area," Trustor will at all times maintain flood insurances as required under the Loan Agreement. If the Trust Property is damaged or destroyed, in whole or in part, by fire or other property hazard or casualty, Trustor will give prompt notice thereof to Beneficiary and any proceeds received by Beneficiary will be held and disbursed as set forth in the Loan Agreement.

4. Payment of Taxes, etc. Trustor will pay, or cause to be paid, all taxes or charges in lieu of taxes, assessments, water rates, sewer rents and other charges, now or hereafter levied or assessed against the Trust Property (the "Taxes") prior to the date upon which any fine, penalty, interest or cost may be added thereto or imposed by law for the nonpayment thereof, subject, in all events, to Trustor's rights to contest Taxes in accordance with the Loan Agreement. Trustor will deliver to Beneficiary, upon Beneficiary's request, receipted bills, canceled checks and other evidence reasonably satisfactory to Beneficiary evidencing the payment of the Taxes prior to the date upon which any fine, penalty, interest or cost may be added thereto or imposed by law for the nonpayment thereof (as any such date may be extended pursuant to exercise of the right of Trustor to contest Taxes in accordance with the Loan Agreement).

5. Condemnation. Notwithstanding any taking by any public or quasi-public authority through eminent domain or otherwise, Trustor will continue to pay the Obligations at the time and in the manner provided for its payment in the Notes, the Loan Agreement and the Loan Documents and the Obligations will not be reduced until (and only to the extent) any award or payment therefor has been actually received and applied by Beneficiary to the discharge of the Obligations in accordance with the provisions of the Loan

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Agreement. Beneficiary will apply the amount of any such award or payment in accordance with the Loan Agreement. If the Trust Property is sold, through foreclosure or otherwise, prior to the receipt by Beneficiary of such award or payment, Beneficiary has the right, whether or not a deficiency judgment on the Obligations has been sought, recovered or denied, to receive such award or payment, or a portion thereof sufficient to pay the Obligations, whichever is less. Trustor will file and prosecute its claim or claims for any such award or payment in good faith and with due diligence and cause the same to be collected and paid over to Beneficiary. Trustor hereby irrevocably authorizes and empowers Beneficiary, in the name of Trustor or otherwise to collect and receipt for any such award or payment and to file and prosecute such claim or claims if (a) Trustor fails to do so within a reasonable time prior to the expiration of the period allowed therefor under Applicable Law, or (b) an Event of Default has occurred and is continuing. Although it is hereby expressly agreed that the same will not be necessary in any event, Trustor will, upon demand of Beneficiary, make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning any such award or payment to Beneficiary, free and clear of any encumbrances of any kind or nature whatsoever.

#### 6. Leases and Rents.

(a) Trustor hereby assigns to Beneficiary as security for the payment of the Obligations and the observance and performance by Trustor of all of the terms, covenants and provisions of this Deed of Trust, the Loan Agreement and the Loan Documents on Trustor's part to be observed or performed, all of Trustor's right, title and interest in and to the Leases and the Rents. Subject to the terms of this paragraph, Beneficiary waives the right to enter the Trust Property for the purpose of collecting the Rents, and grants Trustor the right to collect the Rents. The right of Trustor to collect the Rents may be revoked by Beneficiary upon the occurrence and continuance of any Event of Default by giving prior notice of such revocation to Trustor. Following such notice, Beneficiary may retain and apply the Rents toward payment of the Obligations in accordance with the provisions of the Loan Agreement, or to the operation, maintenance and repair of the Trust Property, and irrespective of whether Beneficiary has commenced a foreclosure of this Deed of Trust or has applied or arranged for the appointment of a receiver. Trustor will not, without the consent of Beneficiary, which consent will not be unreasonably withheld, conditioned or delayed, make, or suffer to be made, any Leases or modify or cancel any Leases or accept prepayments of installments of the Rents for a

period of more than one (1) month in advance or further assign the whole or any part of the Rents. Trustor will (i) fulfill or perform each and every provision of the Leases on the part of Trustor to be fulfilled or performed, (ii) promptly send copies of all notices of default that Trustor sends or receives under the Leases to Beneficiary, and (iii) enforce, short of termination of the Leases, the performance or observance of the material provisions thereof by the other parties thereto.

(b) Trustor agrees that it will not further pledge or assign its interest in any of the Leases, or further assign the Rents so long as any part of the Obligations remains unpaid or unreleased, without the written consent of Beneficiary, which will not be unreasonably withheld or delayed. After commencement of a foreclosure action hereunder, in addition to the rights that Beneficiary may have herein, to the extent permitted by law, Beneficiary may, at its option, require Trustor to pay monthly in advance to Beneficiary or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Trust Property as may be in possession of Trustor.

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(c) Nothing contained in this paragraph will be construed as imposing on Beneficiary any of the obligations of the lessor under the Leases.

7. Maintenance of the Trust Property. (a) Trustor will cause the Trust Property to be maintained in good condition and repair in accordance with the provisions of the Loan Agreement and will not commit or suffer to be committed any waste of the Trust Property. The Improvements and the Equipment will not be removed, demolished or materially altered (except for normal replacement of the Equipment or as otherwise permitted by the Loan Documents), without the prior written consent of Beneficiary, which will not be unreasonably withheld or delayed.

(b) Trustor will promptly comply with all Laws and Environmental Laws affecting the Trust Property, or any portion thereof or the use thereof, in accordance with the provisions of the Loan Agreement. Trustor will comply with the requirements of all easements, rights-of-way, grants, privileges, licenses, franchises and restrictive covenants which from time to time benefit or pertain to the whole or any portion of the Trust Property. Except as otherwise permitted under the Loan Agreement, Trustor will not modify, amend or terminate, or surrender any of its rights under, rights-of-way, easements, grants, privileges, licenses, franchises or restrictive covenants, without the consent of Beneficiary, which Beneficiary shall not withhold, unless Beneficiary reasonably believes that such action could result in a Material Adverse Effect. Except as otherwise permitted by the terms of the Loan Agreement, Trustor will not alter the use of the Trust Property without the prior written consent of Beneficiary (which will not be unreasonably withheld or delayed), and Trustor will not, without obtaining the prior written consent of Beneficiary (which will not be unreasonably withheld or delayed), initiate, join in or consent to any private restrictive covenant, zoning ordinance, or other public or private restrictions, limiting or affecting the uses that may be made of the Trust Property or any part thereof.

8. Estoppel Certificates. Trustor, within ten (10) days after request by Beneficiary and at its expense, will furnish Beneficiary with a statement, duly acknowledged and certified, setting forth the amount of the Obligations and the offsets or defenses thereto, if any.

9. Transfer or Encumbrance of the Trust Property. Except as otherwise permitted by the terms of the Loan Agreement, no part of the Trust Property and no legal or beneficial interest in Trustor may in any manner be further encumbered, sold, transferred, assigned or conveyed, or permitted to be further encumbered, sold, transferred, assigned or conveyed without the consent of Beneficiary. The provisions of this paragraph will apply to each and every such further encumbrance, sale, transfer, assignment or conveyance, regardless of whether or not Beneficiary has consented to, or waived by its action or inaction its rights hereunder with respect to any such previous further encumbrance, sale, transfer, assignment or conveyance and irrespective of whether such further encumbrance, sale, transfer, assignment or conveyance is voluntary, by reason of operation of law or is otherwise made.

10. Notices. All notices, consents, directions, approvals, authorizations, instructions, demands, statements, requests and other communications given or made hereunder or in connection herewith will be sent in accordance with the provisions of Section 8.20 of the Loan Agreement.

11. Changes in Laws Regarding Taxation. In the event of the passage after the date of this Deed of Trust of any law of the State of California deducting from the value of real property for the purpose of taxation any lien or encumbrance thereon or changing in any way the laws for the taxation of mortgages or deeds of trust or debts secured by mortgages or deeds of trust for state or local purposes or the manner of the collection of any such taxes, and imposing a tax, either directly or indirectly, on this Deed of Trust, the Notes, the Loan Agreement, any of the Loan Documents or the Obligations, Trustor will, if permitted by law, pay any tax imposed as a result of any such law within the statutory period or within thirty (30) days after demand by Beneficiary, whichever is less; provided, that if, in the opinion of the attorneys for Beneficiary, Trustor is not permitted by law to pay such taxes, Beneficiary has the right, at its option, to add any amount of such taxes to the Obligations.

12. No Credits on Account of the Obligations. Trustor will not claim or demand or be entitled to any credit or credits on account of the Obligations for any part of the Taxes assessed against the Trust Property or any part thereof and no deduction will otherwise be made or claimed from the taxable value of the Trust Property, or any part thereof, by reason of this Deed of Trust or the Obligations.

13. Other Security for the Obligations. Trustor will observe and perform all of the terms, covenants and provisions on the part of Trustor to be observed and performed contained in the Loan Agreement and the Loan Documents and in all other mortgages and other instruments or documents evidencing, securing or guaranteeing payment of the Obligations, in whole or in part, or otherwise executed and delivered in connection with the Loan Agreement, the Notes or this Deed of Trust.

14. Documentary Stamps. If at any time the United States of America, any state thereof or any governmental subdivision of any such state, requires revenue or other stamps to be affixed to the Notes or this Deed of Trust, Trustor will pay or arrange to pay the same, with interest and penalties thereon, if any.

15. Right of Entry. Beneficiary and its agents have the right to enter and inspect the Trust Property as provided in the Loan Agreement.

16. Books and Records. Trustor will comply with all of the provisions and requirements of the Loan Agreement concerning its books, records and accounts reflecting the financial affairs of Trustor and the Project.

17. Performance of Other Agreements. Trustor will observe and perform each and every material term to be observed or performed by Trustor pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Trust Property.

18. Events of Default. The Obligations will become due at the option of Beneficiary if any Event of Default under the Loan Agreement occurs and is continuing ("Events of Default").

19. Right to Cure Events of Default. If an Event of Default in the performance of any of the covenants of Trustor herein occurs, Beneficiary, without waiving any default or releasing Trustor from any obligation, may (but will be under no obligation to) remedy the same for the account and at the cost and expense of Trustor, and for such purpose has the right to enter upon the Trust Property during normal business hours without thereby becoming liable to Trustor or any person in possession thereof holding under Trustor. If Beneficiary remedies such Event of Default or appears in, defends or brings any action or proceeding to protect its interest in the Trust Property or to foreclose this Deed of Trust or collect the Obligations, all reasonable and documented costs and expenses actually incurred (including without limitation reasonable attorneys' fees) will be paid or arranged to be paid by Trustor to

Beneficiary on demand with interest to the date of payment to Beneficiary at the Default Rate. All such costs and expenses incurred by Beneficiary, with interest at the Default Rate, will be secured by this Deed of Trust.

20. Appointment of Receiver. Beneficiary, in any action to foreclose this Deed of Trust or upon Beneficiary's reasonable determination that actual or threatened waste exists respecting to any part of the Trust Property or upon the occurrence and continuance of any Event of Default hereunder, will be at liberty to apply for the appointment of a receiver of the Rents, and will be entitled to the appointment of such receiver as a matter of right, without regard to the value of the Trust Property as security for the Obligations, or the solvency or insolvency of any person then liable for the payment of the Obligations.

21. Remedies Upon an Event of Default. Upon the occurrence and continuance of any Event of Default, Beneficiary may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Trustor and in and to the Trust Property, by Beneficiary itself or otherwise, including the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Beneficiary may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Beneficiary:

(a) declare the entire Obligations to be immediately due and payable;

(b) institute a proceeding or proceedings, judicial or nonjudicial, to the extent permitted by law, by advertisement or otherwise, for the complete foreclosure of this Deed of Trust, in which case the Trust Property may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;

(c) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Deed of Trust for the portion of the Obligations then due and payable, subject to the continuing lien of this Deed of Trust for the balance of the Obligations not then due;

(d) sell for cash or upon credit the Trust Property and all estate, claim, demand, right, title and interest of Trustor therein and rights of redemption thereof, pursuant to the power of sale, to the extent permitted by law, or otherwise, at one or more sales, as an entirety or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law;

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(e) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein or in any other Loan Document;

(f) recover judgment on the Notes either before, during or after any proceeding for the enforcement of this Deed of Trust;

(g) apply for the appointment of a trustee, receiver, liquidator or conservator of the Trust Property, without notice and without regard for the adequacy of the security for the Obligations and without regard for the solvency of the Trustor or of any person, firm or other entity liable for the payment of the Obligations;

(h) enforce Beneficiary's interest in the Leases and Rents and enter into or upon the Trust Property, either personally or by its agents, nominees or attorneys and dispossess Trustor and its agents and employees therefrom, and thereupon Beneficiary may (A) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with the Trust Property and conduct the business thereat; (B) complete any construction on the Trust Property in such manner and form as Beneficiary reasonably deems advisable; (C) make alterations, additions, renewals, replacements and improvements to or on the Trust Property; (D) exercise all rights and powers of Trustor with respect to the Trust Property, whether in the name of Trustor or otherwise, including the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive Rents; and (E) apply the receipts from the Trust Property to the payment of the Obligations, after deducting therefrom all expenses

(including reasonable attorneys' fees and disbursements) incurred in connection with the aforesaid operations and all amounts necessary to pay the Taxes, insurance and other charges in connection with the Trust Property, as well as just and reasonable compensation for the services of Beneficiary, and its counsel, agents and employees; or

(i) pursue such other rights and remedies as may be available at law or in equity or under the Uniform Commercial Code.

In the event of a sale, by foreclosure or otherwise, of less than all of the Trust Property, this Deed of Trust shall continue as a lien on the remaining portion of the Trust Property.

22. Trustor as Tenant Holding Over. In the event of any foreclosure sale contemplated under paragraph 21 hereof, Trustor will be deemed to be a tenant holding over and will forthwith deliver possession to the purchaser or purchasers at such sale or be summarily dispossessed according to provisions of Law applicable to tenants holding over.

23. Discontinuance of Proceedings. In case Beneficiary has proceeded to enforce any right, power or remedy under this Deed of Trust by foreclosure, entry or otherwise, and such proceeding has been withdrawn, discontinued or abandoned for any reason prior to a final determination in such proceedings, then in every such case (a) Trustor and Beneficiary will be restored to their

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former positions and rights, (b) all rights, powers and remedies of Beneficiary will continue as if no such proceeding had been taken, (c) each and every uncured Event of Default declared or occurring prior or subsequent to such withdrawal, discontinuance or abandonment will be or will be deemed to be a continuing Event of Default and (d) neither the Obligations, this Deed of Trust, the Notes, the Loan Agreement nor the other Loan Documents, will be or will be deemed to have been affected by such withdrawal, discontinuance or abandonment; and Trustor hereby expressly waives the benefit of any statute or rule of law now provided, or which may hereafter conflict with the above.

24. No Reinstatement. If an Event of Default has occurred and Beneficiary has accelerated the Obligations and proceeded to enforce any right, power or remedy permitted hereunder, then a tender of payment by Trustor or by anyone on behalf of Trustor of any amount less than the amount necessary to satisfy the Obligations in full, or the acceptance by Beneficiary of any such payment so tendered, will not constitute a reinstatement of this Deed of Trust, the Notes, the Loan Agreement or any Loan Document.

25. Trustor's Waiver of Rights. To the full extent permitted by Law, except as otherwise specifically and expressly provided in this Deed of Trust, the Loan Agreement or any Loan Documents, Trustor waives (i) the benefit of all Laws now existing or that hereafter may be enacted providing for any appraisal before sale of any portion of the Trust Property and (ii) the benefit of all Laws that may be hereafter enacted in any way extending the time for the enforcement of the collection of the Obligations, or creating or extending a period of redemption from any sale made in collecting said Obligations. To the full extent that Trustor may do so, Trustor agrees that Trustor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension or redemption, or any so-called "Moratorium Laws" and Trustor, for Trustor and its successors and assigns, and for any and all persons ever claiming any interest in the Trust Property, hereby waives and releases all rights of redemption, valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshaling in the event of foreclosure of the liens hereby created. If any Law referred to in this paragraph and now in force, of which Trustor, Trustor's successors and assigns or any other person might take advantage despite this paragraph, is hereafter repealed or ceases to be in force, such Law will not thereafter be deemed to preclude the application of this paragraph.

26. Non-Waiver. The failure of Beneficiary to insist upon strict performance of any term of this Deed of Trust will not be deemed to be a waiver of any term of this Deed of Trust. Trustor will not be relieved of its obligation to pay the Obligations at the time and in the manner provided for its payment in the Notes, the Loan Agreement and the Loan Documents (nor will any of

Trustor's other obligations hereunder or obligations under the Loan Agreement or the other Loan Documents be in any way affected) by reason of (i) failure of Beneficiary to comply with any request of Trustor to take any action to foreclose this Deed of Trust or otherwise enforce any of the provisions hereof or of the Notes, the Loan Agreement, any other Loan Documents or any other mortgage, instrument or document evidencing, securing or guaranteeing payment of the Obligations or any portion thereof, (ii) the release, regardless of consideration, of the whole or any part of the Trust Property or any other security for the Obligations, or (iii) any agreement or stipulation between Beneficiary and any subsequent owner or owners of the Trust Property or other person extending the time of payment or otherwise modifying or supplementing the

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terms of the Notes, the Loan Agreement, the Loan Documents, this Deed of Trust or any other mortgage, instrument or document evidencing, securing or guaranteeing payment of the Obligations or any portion thereof, without first having obtained the consent of Trustor (which consent will not be unreasonably withheld or delayed), will continue to be obligated to pay the Obligations at the time and in the manner provided in the Notes, the Loan Agreement, the Loan Documents, and this Deed of Trust (as so extended, modified or supplemented, if such be the case) and will continue to be obligated to perform its other obligations hereunder and under the Loan Agreement and the Loan Documents (in each case, as so extended, modified and supplemented) unless expressly released and discharged from such obligation by Beneficiary in writing. Regardless of consideration, and (subject to the Loan Agreement) without the necessity for any notice to or consent by the holder of any subordinate lien, encumbrance, right, title or interest in or to the Trust Property, Beneficiary may release any person at any time liable for the payment of the Obligations or any portion thereof or any part of the security held for the Obligations and may extend the time of payment or otherwise modify the terms of the Notes, the Loan Agreement, the Loan Documents or this Deed of Trust (including without limitation a modification of the interest rate payable on the principal balance of the Notes) without in any manner impairing or affecting this Deed of Trust or the lien thereof or the priority of this Deed of Trust, as so extended and modified, as security for the Obligations over any such subordinate lien, encumbrance, right, title or interest.

27. Remedies Cumulative. Beneficiary may resort for the payment of the Obligations to any other security held by Beneficiary in such order and manner as Beneficiary, in its discretion, may elect. Beneficiary may take action to recover the Obligations, or any portion thereof, or to enforce any covenant hereof without prejudice to the rights of Beneficiary thereafter to foreclose this Deed of Trust. Beneficiary will not be limited exclusively to the rights and remedies herein stated but will be entitled to every additional right and remedy now or hereafter afforded by Law or equity. The rights of Beneficiary under this Deed of Trust will be separate, distinct and cumulative and none will be given effect to the exclusion of the others. No act of Beneficiary will be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Beneficiary will be entitled to enforce payment of the Obligations and performance of any of the obligations of Trustor and to exercise all rights and powers under this Deed of Trust or under any other Loan Document or any Laws now or hereafter in force, notwithstanding that some or all of such obligations may now or hereafter be otherwise secured, whether by mortgage, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to other powers herein contained, will prejudice or in any manner affect Beneficiary's right to realize upon or enforce any other security now or hereafter held by Trustor, it being stipulated that Beneficiary will be entitled to enforce this Deed of Trust and any other security now or hereafter held by Beneficiary in such order and manner as Beneficiary, in accordance with the terms hereof, may determine. Every power or remedy given by the Loan Agreement, this Deed of Trust or any of the other Loan Documents to Beneficiary or to which Beneficiary is otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Beneficiary.

28. Liability. If Trustor consists of more than one person, the obligations and liabilities of each such person hereunder will be joint and several.

29. Prepayment After Event of Default. If following the occurrence of any Event of Default under this Deed of Trust and an exercise by Beneficiary of its option to declare the Obligations immediately due, Trustor tenders payment of an amount sufficient to satisfy the entire Obligations at any time prior to a sale of the Trust Property, any such payment will be accepted by Beneficiary only if such payment is permitted at such time under the provisions of the Loan Agreement and the Loan Documents.

30. Construction. The terms of this Deed of Trust will be construed in accordance with the laws of the State of California.

31. Security Agreement. This Deed of Trust constitutes both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code of the State of California and the Trust Property includes both real and personal property and all other rights and interest, whether tangible or intangible in nature, of Trustor in the Trust Property. Trustor, by executing and delivering this Deed of Trust, has granted to Beneficiary, as security for the Obligations, a security interest in such of the Trust Property as is governed by the Uniform Commercial Code. Upon the occurrence and continuation of an Event of Default hereunder, Beneficiary, in addition to any other rights and remedies it may have, has and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code including, without limiting the generality of the foregoing, the right to take possession of such of the Trust Property as is governed by the Uniform Commercial Code personally, through an agent or by means of a court-appointed receiver, and to take such other measures as Beneficiary may deem necessary for the care, protection and preservation of such part of the Trust Property. Upon request or demand of Beneficiary, Trustor will at its expense assemble such of the Trust Property as is governed by the Uniform Commercial Code and make it available to Beneficiary at a convenient place acceptable to Beneficiary. Trustor will pay or arrange to be paid to Beneficiary on demand any and all reasonable and documented expenses, including reasonable legal expense and attorneys' fees, incurred or paid by Beneficiary in protecting the interest in the Trust Property herein granted and in enforcing its rights hereunder with respect to such part of the Trust Property. Any notice of sale, disposition or other intended action by Beneficiary with respect to such part of the Trust Property sent to Trustor in accordance with the provisions of this Deed of Trust at least thirty (30) days prior to the date of any such sale, disposition or other action, will constitute reasonable notice to Trustor, and the method of sale or disposition or other intended action set forth or specified in such notice will conclusively be deemed to be commercially reasonable within the meaning of the Uniform Commercial Code unless objected to in writing by Trustor within ten (10) days after receipt by Trustor of such notice.

32. Further Acts, etc. Trustor will, at the cost of Trustor and without expense to Beneficiary, do, execute, acknowledge and deliver all such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers and assurances as Beneficiary will, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring and confirming unto Beneficiary the property and rights hereby mortgaged or intended now or hereafter so to be, or which Trustor may be or may hereafter become bound to convey or assign to Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust or for filing, registering or recording this Deed of Trust and, on reasonable demand, will execute and deliver, and hereby authorizes Beneficiary to execute in the name of Trustor to the extent Beneficiary may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien hereof upon the Trust Property.

33. Headings, etc. The headings and captions of various paragraphs of this Deed of Trust are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

34. Recording of Deed of Trust, etc. Trustor, upon the execution and delivery of this Deed of Trust and thereafter from time to time, will cause this Deed of Trust and any security instrument creating a lien or evidencing the lien



hereof upon the Trust Property and each instrument of further assurance, to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien hereof upon, and the interest of Beneficiary in the Trust Property. Trustor will pay all filing, registration or recording fees, and all expenses actually incurred incident to the preparation, execution and acknowledgment of this Deed of Trust, any mortgage supplemental hereto, any security instrument with respect to the Trust Property and any instrument of further assurance, and all Federal, state, county and municipal taxes, duties, imposts, assessments and charges (including without limitation documentary stamp taxes and intangible personal property taxes) arising out of or in connection with the execution and delivery of this Deed of Trust or the Obligations secured hereby, any mortgage supplemental hereto, any security instrument or financing statement with respect to the Trust Property or any instrument of further assurance. Trustor will hold harmless and indemnify Beneficiary, its successors and assigns, against any liability incurred by reason of the imposition of any tax on the making and recording of this Deed of Trust.

35. Usury Laws. This Deed of Trust, the Loan Agreement and the Notes are subject to the express condition that at no time will Trustor be obligated or required to pay interest on the principal balance due under the Notes or any of the other Loan Documents at a rate that could subject the holder of any Notes to either civil or criminal liability as a result of being in excess of the maximum interest rate that Trustor is permitted by Law to contract or agree to pay. If by the terms of this Deed of Trust, the Notes or any of the other Loan Documents, Trustor is at any time required or obligated to pay interest on the principal balance due under this Deed of Trust, the Notes or any of the other Loan Documents at a rate in excess of such maximum rate, the rate of interest under this Deed of Trust, the Notes or such of the other Loan Documents, as the case may be, will be deemed to be immediately reduced to such maximum rate and the interest payable will be computed at such maximum rate and all prior interest payments in excess of such maximum rate will be applied and will be deemed to have been payments in reduction of the principal balance of the Notes.

36. Discretion of Beneficiary. Except as otherwise specifically provided in this Deed of Trust, wherever pursuant to this Deed of Trust Beneficiary exercises any right given to it to consent or to withhold its consent, to approve or disapprove, or any arrangement or term is to be satisfactory to Beneficiary, the decision of Beneficiary to consent or to withhold its consent, to approve or disapprove or to decide that arrangements or terms are satisfactory or not satisfactory will be exercised within the reasonable judgment of Beneficiary.

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37. Recovery of Sums Required To Be Paid. Beneficiary has the right from time to time to take action to recover any sum or sums that constitute a part of the Obligations as the same become due, without regard to whether or not the balance of the Obligations will be due, and without prejudice to the right of Beneficiary thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Trustor existing at the time such earlier action was commenced.

38. Absolute and Unconditional Obligation. Trustor acknowledges that its obligation to pay the Obligations in accordance with the provisions of the Notes, the Loan Agreement and the Loan Documents is and will at all times continue to be absolute and unconditional in all respects, and will at all times be valid and enforceable irrespective of any other agreements or circumstances of any nature whatsoever that might otherwise constitute a defense to the Notes, the Loan Agreement or any of the Loan Documents or the obligation of Trustor to pay the Obligations or the obligations of any other person relating to the Notes, the Loan Agreement or any of the Loan Documents or the obligations of Trustor under the Notes, the Loan Agreement or any of the Loan Documents, and to the full extent permitted by Law, Trustor absolutely, unconditionally and irrevocably waives any and all right to assert any defense, setoff, counterclaim or crossclaim of any nature whatsoever with respect to the obligation of Trustor to pay the Obligations in accordance with the provisions of the Notes, the Loan Agreement and the Loan Documents or the obligations of any other person relating to the Notes, the Loan Agreement or any of the Loan Documents, or in any action or proceeding brought by Beneficiary to collect the Obligations, or any portion thereof, or to enforce, foreclose and realize upon the lien and security interest created by this Deed of Trust or any other document or instrument

securing repayment of the Obligations, in whole or in part. Trustor's personal liability with respect to the Obligations, however, is limited as set forth in the Loan Agreement and the Notes.

39. Indemnification. If Beneficiary is made a party defendant to any litigation concerning the Notes, the Loan Agreement, this Deed of Trust, any other Loan Document or the Trust Property or any part thereof or interest therein, or the occupancy thereof by Trustor, then Trustor will indemnify, defend and hold Beneficiary harmless from all liability (excepting Beneficiary's gross negligence or willful misconduct as finally determined by a Government Instrumentality of competent jurisdiction) by reason of said litigation, including reasonable documented attorneys' fees and expenses incurred by Beneficiary in any such litigation, whether or not any such litigation is prosecuted to judgment. If Beneficiary commences an action against Trustor due to an Event of Default by Trustor hereunder, Trustor will pay or arrange to pay Beneficiary's reasonable documented attorneys' fees and expenses, together with interest thereon at the Default Rate from the date the same are paid to the date of reimbursement by Trustor and the right to such attorneys' fees and expenses will be deemed to have accrued on the commencement of such action, and will be enforceable whether or not such action is prosecuted to judgment. If Trustor breaches any term of this Deed of Trust, Beneficiary may engage an attorney or attorneys to protect Beneficiary's rights hereunder, and in the event of such engagement following any breach by Trustor, Trustor will pay Beneficiary's reasonable attorneys' fees and expenses so incurred, whether or not an action is actually commenced against Trustor by reason of breach.

40. Authority. Trustor (and the undersigned representative of Trustor) has full power, authority and legal right to execute this Deed of Trust and to mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm and assign the Trust Property pursuant to the terms hereof and to keep and observe all of the terms of this Deed of Trust on Trustor's part to be kept and observed.

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41. Actions and Proceedings. Beneficiary, upon reasonable prior notice to Trustor, has the right to appear in and defend any action or proceeding brought with respect to the Trust Property and to bring any action or proceeding, in the name and on behalf of Trustor, which Beneficiary reasonably determines is necessary to protect Beneficiary's interest in the Trust Property.

42. Inapplicable Provisions. If any term, covenant or condition of this Deed of Trust is held to be invalid, illegal or unenforceable in any respect, this Deed of Trust will be construed without such provision.

43. Counterparts. This Deed of Trust may be executed in any number of counterparts and all such counterparts will be deemed to constitute but one and the same instrument.

44. Certain Definitions. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Deed of Trust will be used interchangeably in singular or plural form and the word "Trustor" will include any subsequent owner or owners of the Trust Property or any part thereof or interest therein; the word "Notes" will mean the Notes or any other evidence of indebtedness secured by this Deed of Trust; the word "Beneficiary" will mean all of or any of the entities constituting Beneficiary, as the context requires; the words "Trust Property" will include any portion of the Trust Property or interest therein; and the word "Obligations" will mean all sums and performance secured by this Deed of Trust. Whenever the context may require, any pronouns used herein will include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns will include the plural and vice versa.

45. Waiver of Statutory Rights. Trustor, for itself and all who may claim through or under it, waives any and all right to have the property and estates comprising the Trust Property marshaled upon any foreclosure of the lien of this Deed of Trust and agrees that any court having jurisdiction to foreclose such lien may order the Trust Property sold as an entirety.

46. Surrender. Upon the occurrence and continuance of any Event of Default and upon commencement of any foreclosure action by Beneficiary or its agents or attorneys of the right to exclude Trustor from all or any part of the Trust Property, Trustor agrees to vacate and surrender possession of the Trust

Property to Beneficiary, or to a receiver, if any.

47. Relationship. The relationship of Beneficiary to Trustor hereunder is strictly and solely that of the agent for certain lenders and borrower and nothing contained in the Notes, this Deed of Trust, the Loan Agreement or any other Loan Document is intended to create, or will in any event or under any circumstance be construed as creating, a partnership, joint venture, tenancy-in-common, joint tenancy or other relationship of any nature whatsoever between Beneficiary and Trustor other than as lender and borrower.

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48. Waiver of Notice. Trustor will not be entitled to any notices of any nature whatsoever from Beneficiary except with respect to matters for which this Deed of Trust specifically and expressly provides for the giving of notice by Beneficiary to Trustor and Trustor hereby expressly waives the right to receive any notice from Beneficiary with respect to any matter for which this Deed of Trust does not specifically and expressly provide for the giving of notice by Beneficiary to Trustor; provided, that this provision does not nullify any provision contained in any other Loan Document requiring Beneficiary to give notice to Trustor.

49. Integration. The Loan Documents contain the complete agreement among Trustor, Beneficiary and the other parties thereto with respect to the matters contained therein and supersede all prior commitments, agreements and understandings, whether written or oral, with respect to the matters contained therein.

50. No Oral Change. This Deed of Trust may only be modified or amended by an agreement in writing signed by Trustor and Beneficiary, and may only be released, discharged or satisfied of record by an agreement in writing signed by Beneficiary. No waiver of any term, covenant or provision of this Deed of Trust will be effective unless given in writing by Beneficiary and if so given by Beneficiary will only be effective in the specific instance in which given. Trustor acknowledges that the Notes, this Deed of Trust, the Loan Agreement and the other Loan Documents set forth the entire agreement and understanding of Trustor and Beneficiary with respect to the Obligations secured hereby and that no oral or other agreements, understanding, representation or warranties exist with respect to the Obligations secured hereby other than those set forth in the Notes, this Deed of Trust, the Loan Agreement and the other Loan Documents

51. Waiver of Jury Trial. TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRUSTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS DEED OF TRUST OR ANY OTHER LOAN DOCUMENT, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY TRUSTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. BENEFICIARY IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY TRUSTOR..

52. Trustee; Successor Trustee. Trustee shall not be liable for any error of judgment or act done by Trustee, or be otherwise responsible or accountable under any circumstances whatsoever, except if the result of Trustee's gross negligence or willful misconduct. Trustee shall not be personally liable in case of entry by him or anyone acting by virtue of the powers herein granted him upon the Trust Property for debts contracted or liability or damages or damages incurred in the management or operation of the Trust Property. Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder or believed by him to be genuine. Trustee shall be entitled to

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reimbursement for actual expenses incurred by him in the performance of his duties hereunder and to reasonable compensation for such of his services hereunder as shall be rendered. Trustor will, from time to time, reimburse Trustee for and save and hold him harmless from and against any and all loss, cost, liability, damage and reasonable expense whatsoever incurred by him in the performance of his duties. All monies received by Trustee shall, until used or

applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other monies (except to the extent required by law) and Trustee shall be under no liability for interest on any monies received by him hereunder. Trustee may resign by giving of notice of such resignation in writing to Beneficiary. If Trustee shall die, resign or become disqualified from acting in the execution of this trust or shall fail or refuse to exercise the same when requested by Beneficiary or if for any or no reason and without cause Beneficiary shall prefer to appoint a substitute trustee to act instead of the original Trustee named herein, or any prior successor or substitute trustee, Beneficiary shall, without any formality or notice to Trustor or any other person, have full power to appoint a substitute trustee and, if Beneficiary so elects, several substitute trustees in succession who shall succeed to all the estate, rights, powers and duties of the aforementioned Trustee. Each appointment and substitution shall be evidenced by an instrument in writing which shall recite the parties to, and the book and page of record of, this Deed of Trust, and the description of the real property herein described, which instrument, executed and acknowledged by Beneficiary, shall (i) be conclusive proof of the proper substitution and appointment of such successor Trustee or Trustees, (ii) duly assign and transfer all the estates, properties, rights, powers and trusts of Trustee so ceasing to act and (iii) be notice of such proper substitution and appointment to all parties in interest. In addition, such Trustee ceasing to act shall duly assign, transfer, and deliver any of the property and monies held by Trustee to the successor Trustee so appointed in its or his place. The Trustee may act in the execution of this trust and may authorize one or more parties to act on his behalf to perform the ministerial functions required of him hereunder, including without limitation, the transmittal and posting of any notices and it shall not be necessary for any Trustee to be present in person at any foreclosure sale.

53. Future Advances; Protective Advances. This Deed of Trust is given to secure not only existing indebtedness, but also all future advances (whether such advances are obligatory or are to be made at the option of Beneficiary, or otherwise) as are made by Beneficiary within twenty (20) years of the date of this Deed of Trust, to the same extent as if such future advances were made on the date of the execution of this Deed of Trust, even though there may be no indebtedness outstanding at the time any such advance is made. The total amount of indebtedness that may be so secured may decrease or increase from time to time, but all indebtedness secured hereby shall in no event, exceed the amount equal to two (2) times the principal sum of the Loan as specified in the preamble paragraph of this Deed of Trust. This Deed of Trust secures all advances, disbursements and expenditures made by Beneficiary before and during a foreclosure, and before and after judgment of foreclosure, and at any time prior to sale, and, where applicable, after sale, and during the pendency of any related proceedings, for the purposes authorized by this Deed of Trust or by Applicable Law.

54. Variable Interest Rate. The Loan secured by this Deed of Trust is a variable interest rate loan, as more particularly set forth in the Loan Agreement.

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PART II  
STATE-SPECIFIC PROVISIONS

55. Conflicts With Part I. In the event of any conflict between the provisions of this Part II and any provision of Part I, then the provisions of this Part II shall control.

56. Additional Security Agreement Provisions.

(a) With respect to fixtures, Beneficiary or Trustee may elect to treat same as either real property or personal property and proceed to exercise such rights and remedies applicable to the categorization so chosen. Beneficiary may proceed against the items of real property and any items of Trust Property separately or together in any order whatsoever, without in any way affecting or waiving Beneficiary's rights and remedies under the Uniform Commercial Code, this Deed of Trust or the Notes. Trustor acknowledges and agrees that Beneficiary's rights and remedies under this Deed of Trust and the Notes shall be cumulative and shall be in addition to every other right and remedy now or hereafter existing at law, in equity, by statute or by agreement of the parties.

(b) Trustor agrees that this Deed of Trust constitutes a financing statement filed as a fixture filing in the Official Records of the County in which the Trust Property is located with respect to any and all fixtures included within the term "Site" or "Improvements" as used in the Loan Documents and with respect to any goods and other personal property that may now be or hereafter become fixtures. The names and mailing addresses of the debtor (Trustor) and the secured party (Beneficiary) are set forth on the first page of this Deed of Trust. The organization identification number for Trustor is DE3957429. Trustor is the record owner of the Trust Property. The personal property described above is the collateral covered by this financing statement. Any reproduction of this Deed of Trust or any other security agreement or financing statement shall be sufficient as a financing statement. Trustor hereby (i) authorizes Beneficiary at any time and from time to time to file financing statements, continuation statements and amendments thereto that describe the collateral as all assets of Trustor or words of similar effect (regardless of whether any particular asset of Trustor falls within the scope of the Uniform Commercial Code or the granting clauses of the Loan Documents) and that contain any other information required by Part 5 of Article 9 of the Uniform Commercial Code for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment, including whether Trustor is an organization, the type of organization and any organization identification number issued to Trustor, and (ii) ratifies such authorization to the extent that Beneficiary has filed any such financing or continuation statements, or amendments thereto prior to the date hereof.

57. Additional Remedies Provision. Upon the occurrence and continuance of an Event of Default, Trustor hereby authorizes and empowers Beneficiary in its sole discretion, without any notice or demand and without affecting the lien and charge of this Deed of Trust, to exercise any right or remedy which Beneficiary may have available to it, including, but not limited to, judicial foreclosure, exercise of rights of power of sale without judicial action as to any collateral security for the obligations, whether real, personal or intangible property. Without limiting the foregoing, Trustor specifically agrees that any action maintained by Beneficiary for the appointment of any receiver, trustee or custodian to collect rents, issues or profits or to obtain possession of the Trust Property shall not constitute an "action" within the meaning of ss.726 of the California Code of Civil Procedure.

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In connection with any sale or sales hereunder, Beneficiary may elect to treat any of the Trust Property which consists of a right in action or which is property that can be severed from the real property covered hereby or any improvements thereon without causing structural damage thereto as if the same were personal property, and dispose of the same in accordance with applicable law, separate and apart from the sale of real property. Any sale of any personal property hereunder shall be conducted in any manner permitted by Section 9607 or any other applicable section of the Uniform Commercial Code. Where the Trust Property consists of real and personal property or fixtures, whether or not such personal property is located on or within the real property, Beneficiary may elect in its discretion to exercise its rights and remedies against any or all of the real property, personal property, and fixtures in such order and manner as is now or hereafter permitted by applicable law.

Without limiting the generality of the foregoing, Beneficiary may, in its sole and absolute discretion and without regard to the adequacy of its security, elect to proceed against any or all of the real property, personal property and fixtures in any manner permitted under Section 9604(a) of the Uniform Commercial Code; and if Beneficiary elects to proceed in the manner permitted under Section 9604(a) (1) (B) of the Uniform Commercial Code, the power of sale herein granted shall be exercisable with respect to all or any of the real property, personal property and fixtures covered hereby, as designated by Beneficiary, and the Trustee is hereby authorized and empowered to conduct any such sale of any real property, personal property and fixtures in accordance with the procedures applicable to real property. Where the Trust Property consists of real property and personal property, any reinstatement of the obligation secured hereby, following default and an election by the Beneficiary to accelerate the maturity of said obligation, which is made by Trustor or any other person or entity permitted to exercise the right of reinstatement under Section 2924c of the California Civil Code or any successor statute, shall, in accordance with the terms of Section 9604(a) of the Uniform Commercial Code, not prohibit the Beneficiary from conducting a sale or other disposition of any personal property

or fixtures or from otherwise proceeding against or continuing to proceed against any personal property or fixtures in any manner permitted by the California Commercial Code; nor shall any such reinstatement invalidate, rescind or otherwise affect any sale, disposition or other proceeding held, conducted or instituted with respect to any personal property or fixtures prior to such reinstatement or pending at the time of such reinstatement. Any sums paid to Beneficiary in effecting any reinstatement pursuant to Section 2924c of the California Civil Code shall be applied to the secured obligation and to the Beneficiary's and Trustee's reasonable costs and expenses in the manner required by Section 2924c. Any sale of personal property hereunder shall be conducted in any manner permitted by Section 9601 of the Uniform Commercial Code or any other applicable provision of the Uniform Commercial Code.

Should Beneficiary elect to sell any portion of the Trust Property which is real property or which is personal property or fixtures that Beneficiary has elected to sell together with real property in accordance with the laws governing a sale of real property, Beneficiary or Trustee shall give such notice of default and election to sell as may then be required by law. Thereafter, upon the expiration of such time and the giving of such notice of sale as may then be required by law, and without the necessity of any demand on Trustor, Trustee, at the time and place specified in the notice of sale, shall sell said real

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property or part thereof at public auction to the highest bidder for cash in lawful money of the United States or in such other manner as Beneficiary shall direct which is not prohibited by applicable law. Trustee may, and upon request of Beneficiary shall, from time to time, postpone any sale hereunder by public announcement thereof at the time and place noticed therefor. Beneficiary may sell the Trust Property for any amount it deems acceptable, whether or not such amount is equal to the Obligations, or otherwise. Trustor authorizes and empowers Trustee, upon any sale hereunder, to execute and deliver to the purchaser or purchasers a deed or deeds conveying the property so sold, without any covenant or warranty whatsoever, express or implied, whereupon such purchaser or purchasers shall be let into immediate possession, and the recitals in any such deed or deeds of facts, such as default, the giving of notice of default and notice of sale, and other facts affecting the regularity or validity of such sale or disposition, shall be conclusive proof of the truth of such facts and any such deed or deeds shall be conclusive against all persons as to such facts recited therein. Upon any foreclosure sale hereunder, Trustor shall immediately surrender and deliver possession to the purchaser. If Trustor fails to do so, Trustor shall be a tenant at will of the purchaser and such purchaser shall have the right to bring an action of forcible entry and detainer.

Without limiting any other rights provided to Beneficiary herein or in any of the Loan Documents, Beneficiary shall have the benefits of California Code of Civil Procedure ss. 736, as the same may be amended from time to time. Upon any Event of Default, in addition to any other remedies provided therein and applicable law, Beneficiary shall have the right to waive its lien against the Trust Property or any portion thereof, whether fixtures or personal property, to the extent such property is found to be environmentally impaired in accordance with California Code of Civil Procedure Section 726.5 and to exercise any and all rights and remedies of an unsecured creditor against the Trustor and all of the Trustor's assets and property for the recovery of any deficiency, including, but not limited to, seeking an attachment order pursuant to California Code of Civil Procedure Section 483.010.

58. Additional Waivers. Upon the occurrence and continuance of an Event of Default, Trustor hereby expressly waives diligence, demand, presentment, protest and notice of every kind and nature whatsoever (unless as otherwise required under this Deed of Trust or the Loan Agreement) and waives any right to require Beneficiary to enforce any remedy against any guarantor, endorser or other person whatsoever prior to the exercise of its rights and remedies hereunder or otherwise.

59. Loan Document Approval. Trustor has read and hereby approves the Notes, the Loan Agreement, this Deed of Trust, the other Loan Documents and all other documents relating thereto. Trustor acknowledges that it has been represented by counsel of its choice to review the Notes, the Loan Agreement, this Deed of Trust, the other Loan Documents and all other documents relating thereto and said counsel has explained and Trustor understands the provisions thereof.

60. Additional Provisions. No merger of any interests shall occur as a result of Beneficiary's acquiring any other estate in or any other lien on the Trust Property unless Beneficiary consents to a merger in writing, including without limitation any merger which may arise, upon foreclosure of the lien of this Deed of Trust or acceptance of a deed in lieu thereof by Beneficiary. Upon the indefeasible payment and performance in full of all obligations secured by

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this Deed of Trust, Beneficiary shall request Trustee to reconvey the Trust Property and shall surrender this Deed of Trust and all agreements or notes evidencing indebtedness secured by this Deed of Trust to Trustee. Upon payment of its fees and any other sums owing to it under this Deed of Trust, Trustee shall reconvey the Trust Property without warranty to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any. The recitals in such conveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Five years after issuance of such full reconveyance, Trustee may destroy said Notes and this Deed of Trust unless otherwise directed by Beneficiary.

[Remainder of Page Intentionally Left Blank]

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IN WITNESS WHEREOF, Trustor has executed this instrument as of the day and year first above written.

TRUSTOR:

PACIFIC ETHANOL MADERA LLC,  
a Delaware limited liability company

By: /s/ Ryan Turner

-----  
Name:  
Title:

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

LYLES DIVERSIFIED, INC.  
Post Office Box 4376  
Fresno, California 93744  
Attn: William M. Lyles, President

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SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

DEED OF TRUST (NON-CONSTRUCTION) SECURITY AGREEMENT  
AND FIXTURE FILING WITH ASSIGNMENT OF RENTS

THIS DEED OF TRUST is made effective as of April 13, 2006, by and among PACIFIC ETHANOL MADERA LLC, a Delaware limited liability company ("TRUSTOR"), CHICAGO TITLE COMPANY, a California corporation ("TRUSTEE"), and LYLES DIVERSIFIED, INC., a California corporation ("BENEFICIARY").

TRUSTOR HEREBY IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to TRUSTEE, its successors and assigns, IN TRUST, WITH POWER OF SALE:

All that property now or hereafter acquired in the County of Madera, State of California, described in the attached Exhibit "A" (herein referred to as the "Property");

TOGETHER WITH, and including, without limitation: all of the buildings and improvements now or hereafter erected on the property; all of the easements, rights, rights-of-way, privileges, franchises, appurtenances, permits and licenses, including, but not limited to, permits to operate, emission reduction certificates, conditional use permits, and waste discharge requirements, now or hereafter belonging to, or in any way appertaining, or in any way arising out of ownership, development, or operation of the Property, or in any way necessary, convenient, or required for TRUSTOR's use of the Property, or in any way being a means of access, to said property, all water and water rights, and pumps, pumping plants, and all shares of stock evidencing the foregoing, and all machinery, appliances and fixtures for generating or distributing water, all rents, issues, profits, royalties, revenue, income and other benefits of or arising from the use or enjoyment of all or any portion of the property or the buildings and improvements now or hereafter erected thereon (subject however to the right, reserved to TRUSTOR, to collect, receive and retain such rents, issues, profits, royalties, revenue, income and other benefits prior to any default hereunder or under the Loan Documents referenced below or other evidence of debt secured hereby); all gas, oil, water and mineral rights, profits and stock now or hereafter derived from, appurtenant to, or pertaining to the property (and any and all shares of stock evidencing the same); all vines, trees, trellises, irrigation equipment, and crops now or hereafter grown on the property; and all machinery, appliances and fixtures (including replacements and additions thereto) now or hereafter erected thereon.

For purposes hereof, the term "water rights" shall mean and includes all water, water rights and entitlements of every kind or nature relating to the property or the TRUSTOR's use of the property, including without limitation: the property's overlying rights and prescriptive rights to groundwater; any rights

to import groundwater from other lands to the property pursuant to any contract, easement, or otherwise; the right to remove and extract any such groundwater pursuant to any permit or license granted by any governmental authority or agency, or by any contract, easement, or otherwise; any rights the property may have to receive surface irrigation water from any source, including, without limitation, appropriative rights, prescriptive rights, the rights to or allocation of water from any irrigation district, water district, water storage district, water company or similar entity, together with any shares of stock or other documents evidencing such rights; any rights to the conveyance, transport or storage of irrigation water, using public or private facilities, together with any shares of stock or other documents evidencing such rights, all rights that TRUSTOR may have to supply, storage or transportation of irrigation water under the terms of any contract or agreement; any drainage rights appurtenant or otherwise applicable to the property; any license, permit or similar approval issued by any government agency pertaining to the supply, use or storage of



water on the property; any water inventory held by TRUSTOR directly or indirectly at any time, including water bank credits, surface or groundwater storage, or unused allocation of water supplied by any district or water company; and all rights, claims, causes of action, judgments, awards, and other judicial, arbiter or administrative relief in any way relating to water or water rights.

All of the foregoing shall be deemed to be and shall remain a part of the property encumbered by this Deed of Trust, and all of the foregoing, together with the property (or the leasehold estate, if this Deed of Trust encumbers a leasehold interest in the land comprising such property), are hereinafter referred to as the "premises";

FOR THE PURPOSE OF SECURING, in such order of priority as BENEFICIARY, in its absolute discretion, may determine:

1. Payment and performance of TRUSTOR'S obligations under:

(a) That certain Term Loan Agreement between TRUSTOR and BENEFICIARY, dated concurrently herewith (the "Loan Agreement"), evidencing a term loan made payable to BENEFICIARY, in the original principal amount of \$5,100,000.00; together with the payment of interest on such indebtedness and the payment of all other sums (with interest as therein provided) according to the terms of the Loan Agreement; and

(b) Any and all amendments, modifications, extensions or renewals of the Loan Agreement;

The Loan Agreement, together with all other instruments and documents executed in connection with the transactions contemplated thereunder, including this Deed of Trust, together with any and all amendments, modifications, extensions or renewals of such documents are referred to below as the "Loan Documents";

Some or all of the indebtedness secured by this Deed of Trust is subject to variable interest rates which may increase or decrease from time to time during the pendency of the obligations secured by this Deed of Trust and all interest which accrued shall have the same priority as the funds initially advanced;

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2. Payment of all other sums, with interest as herein provided, becoming due or payable, under the provisions of this Deed of Trust, to TRUSTEE or BENEFICIARY;

3. Due, prompt and complete observance, performance and discharge of each and every condition, obligation, covenant and agreement contained in this Deed of Trust, the other Loan Documents, and any document or instrument modifying or amending this Deed of Trust or the other Loan Documents; and

4. Payment of such additional sums (with interest thereon) as may hereafter be borrowed from BENEFICIARY, or its successors or assigns, by TRUSTOR or the then record owner of the premises and evidenced by one or more instruments (other than the Loan Documents) which are by their terms secured by this Deed of Trust.

5. TO PROTECT AND MAINTAIN THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:

(a) Payment of Obligations When Due. TRUSTOR shall promptly pay, when due and in lawful money of the United States of America which shall be legal tender for public and private debts at the time of payment, each and every indebtedness and obligation for which this Deed of Trust has been given as security as provided hereinabove; and TRUSTOR shall promptly perform, observe and discharge each and every condition, obligation, covenant and agreement for which this Deed of Trust has been given as security as provided herein.

(b) Maintenance of Premises. TRUSTOR shall maintain and keep the premises in good condition and repair and shall not commit or permit waste of the whole or part of any item consisting of a part of the premises,

TRUSTOR shall not alter, remove or demolish any building, improvements, plantings, machinery, equipment, appliances or fixtures now or hereafter on the property without the prior written consent of BENEFICIARY.

TRUSTOR shall promptly repair, replace or restore (in good, workmanlike manner and in compliance with all laws, ordinances, governmental rules and regulations, easements, agreements, covenants, conditions and restrictions affecting the premises) all buildings, improvements, machinery, equipment, appliances and fixtures now or hereafter on the property, in the event of damage to or destruction of such buildings, improvements, machinery, equipment, appliances and fixtures.

TRUSTOR shall perform, in the event all or any portion of the premises constitutes a leasehold estate belonging to TRUSTOR, each and every obligation of TRUSTOR under the terms of the lease agreement relating to the demise of the premises.

TRUSTOR shall not commit, suffer or permit any act upon the premises in violation of law, ordinance, governmental rules and regulations, easements, agreements, covenants, conditions and restrictions affecting the premises or use of the premises.

TRUSTOR shall cultivate, irrigate, fertilize, fumigate, spray, prune and do any other acts which from the character or use of the property may be reasonably necessary, and if the property is agricultural property, TRUSTOR

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shall farm and harvest, and prepare for farming and harvesting, the property in an approved and husbandmanlike manner in accordance with the highest standards in the area.

In the performance of all acts required to TRUSTOR under the above paragraphs describing maintenance of the premises, TRUSTOR shall promptly pay when due all expenses incurred therefor and shall promptly pay, discharge or otherwise release all claims for labor performed and materials furnished therefor.

(c) Insurance. TRUSTOR shall provide, maintain and keep policies of insurance (with companies and in form, content, policy limits and terms satisfactory to BENEFICIARY, with loss payable to BENEFICIARY) insuring the premises against: fire (with an extended coverage endorsement), public liability, loss of rents or business interruption, flood damage (if the property is located in a flood hazard area and if such insurance is available) and such other hazards and coverage, including earthquake, as BENEFICIARY from time to time may reasonably require.

TRUSTOR shall promptly pay when due all premiums for such insurance, shall deliver copies of all such insurance policies, renewals of such policies and premium receipts therefor to BENEFICIARY, and shall do all things necessary to obtain prompt settlement or disposition of any claim or loss covered under such policies. All such policies shall name BENEFICIARY as an additional insured and shall include such endorsements as BENEFICIARY shall deem necessary to protect its interest in the premises. All such policies shall not be cancelable nor subject to substantial change without at least thirty (30) days prior written notice to, and approval by, BENEFICIARY, and BENEFICIARY shall receive at least thirty (30) days prior written notice of the termination of any such policy.

Without waiving or curing any default in the performance of any obligation under this Deed of Trust and/or without waiving notice of any such default, BENEFICIARY may, in its absolute discretion: apply the proceeds of such insurance upon any indebtedness or obligations secured under this Deed of Trust; and/or in such order, in such manner and according to such terms and conditions as BENEFICIARY may determine, release all or portions of such proceeds to TRUSTOR for the repair, replacement, or restoration of the premises.

(d) Payment of Taxes and Assessments. TRUSTOR shall pay and discharge, at least ten (10) days prior to delinquency: all taxes, assessments and charges of every kind and nature (including real personal property taxes); all general and special assessments, including common area maintenance

assessments and assessments on appurtenant water stock all levies and all permit, inspection and license fees; all water and sewer rents, connection fees and charges and all other public and private charges whether of a like or different nature) imposed upon or assessed against TRUSTOR or the premises, or any part thereof or upon the revenues, rents, issues, income, or profits thereof or upon the inventory of goods maintained or stored thereon or therein. TRUSTOR shall, within ten (10) days following such payment or discharge, provide BENEFICIARY with receipts therefor.

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Notwithstanding the foregoing, TRUSTOR shall have the right to contest the validity or amount of any such tax, assessment or charge; provided that he validity or amount thereof is contested diligently and in good faith and provided further that TRUSTOR shall protect the premises against any lien arising out of any such tax, assessment or charge, or out of any such contest thereof, by obtaining a bond, in form, substance, amount, and issued by a surety, satisfactory to BENEFICIARY.

(e) Litigation. TRUSTOR shall appear in and defend any action or proceeding purporting to affect the security of this Deed of Trust and/or the rights and/or powers of BENEFICIARY and/or TRUSTEE hereunder, and TRUSTOR shall pay all costs and expenses (including costs of evidence of title and attorneys' fees) in any action or proceeding in which BENEFICIARY or TRUSTEE may so appear and/or in any suit brought by BENEFICIARY to foreclose this Deed of Trust, to enforce any obligation secured by this Deed of Trust and/or prevent the breach thereof.

(f) Performance of Obligations by Beneficiary or Trustee. Should TRUSTOR fail to make any payment, perform any obligation or do any act set forth in or secured by this Deed of Trust, BENEFICIARY or TRUSTEE (at the request of BENEFICIARY), without obligation to do so, without notice to or demand upon TRUSTOR and without releasing TRUSTOR from making such future payments, performing such future obligations or doing such future acts, may make such payment, perform such obligation or do such act in such manner and to such extent as BENEFICIARY or TRUSTEE may deem necessary to protect ht security of this Deed of Trust. For any and all such purposes, BENEFICIARY and/or TRUSTEE are authorized to enter upon the premises, and, if the premise consists of agricultural property, BENEFICIARY and/or TRUSTEE are authorized to prepare for harvest, harvest, remove, and sell any crops that may be growing upon the premises and apply the proceeds thereof to the indebtedness secured by this Deed of Trust.

Without limiting the foregoing, BENEFICIARY or TRUSTEE must pay, purchase, contest or compromise any encumbrance, charge or lien which, in the sole judgment of BENEFICIARY or TRUSTEE, appears to be prior or superior to this Deed of Trust. In exercising any such power, BENEFICIARY or TRUSTEE may pay all necessary expenses incurred therefor and employ legal counsel and pay its fees.

TRUSTOR agrees to and shall pay, immediately without demand, all sums so expended by BENEFICIARY or TRUSTEE, with interest, from the date of expenditure, at a rate which is two percent (2.00%) per annum in excess of the rate otherwise payable on such date according to the terms of the Loan Agreement.

(g) Condemnation. Any award of damages or other form of compensation awarded in connection with any condemnation for public use of, or injury to, the property and/or the buildings and improvements now or hereafter erected thereon (or any part thereof) are hereby assigned and shall be paid directly to BENEFICIARY, to be used, held, paid, applied or released in the absolute discretion of BENEFICIARY and without regard to the adequacy of its security, in the same manner and with the same effect as provided

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herein for the disposition of insurance proceeds. In this regard, TRUSTOR hereby waives the benefit of any statute, rule or law which may be contrary thereto, and TRUSTOR hereby agrees to execute such further assignments therefor as BENEFICIARY may require.

(h) Acceptance of Late and Partial Payments. The acceptance by BENEFCIARY of the payment of any sum secured by this Deed of Trust after its due date shall not constitute a waiver of the right to require prompt payment when due of all other and future sums so secured, or to declare a default as herein provided for any failure to so pay, or to proceed with foreclosure or sale for any other default then existing. The acceptance by BENEFCIARY of the payment of a portion of any sum secured by this Deed of Trust at such time that such sum in its entirety is due and payable shall neither cure nor excuse the default caused by failure to pay the whole of such installment or affect any notice of default recorded prior to such acceptance, unless such notice of default is expressly revoked in writing by BENEFCIARY. Such acceptance shall not constitute a waiver of BENEFCIARY'S rights to require full payment when due of all other and future sums so secured.

(i) General Rights of Beneficiary and Trustee. At any time or from time to time, without liability therefor, without notice and without affecting the liability of any person (including TRUSTOR for the payment of any indebtedness, or the performance of any obligation secured by this Deed of Trust or the lien of this Deed of Trust on the premises or any portion thereof:

(1) BENEFCIARY may: release any person liable for the payment of any such indebtedness or for the performance of any such obligation; extend the time or otherwise alter the terms of payment of any such indebtedness; accept additional security therefor of any kind, including deeds of trust and mortgages; and/or alter, substitute and/or release any portion of the premises securing such indebtedness;

(2) TRUSTEE may, upon the written consent of BENEFCIARY, consent to the making of any map or plot of the property; join in granting any easements or creating any restrictions on the property and/or join in any extension agreement or any agreement subordinating the lien or charge of this Deed of Trust.

(j) Reconveyance of this Deed of Trust. Upon written request of BENEFCIARY stating that all indebtedness secured by this Deed of Trust has been paid, upon surrender of this Deed of Trust and all documents evidencing such indebtedness TRUSTEE for cancellation and retention and upon payment, by TRUSTOR, to TRUSTEE of its fees, costs and expenses incurred or to be incurred thereby, TRUSTEE shall reconvey, without warranty, the premises then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

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(k) Assignment of Rents. TRUSTOR absolutely and unconditionally hereby assigns, transfers, conveys, and sets over to BENEFCIARY all of the rents, royalties, issues, profits, revenue, income, and other benefits of the premises arising from the use or enjoyment of all or any portion thereof or from any lease or agreement pertaining thereto (hereinafter collectively referred to as the "rents"); reserving to TRUSTOR only the right, prior to any default by TRUSTOR hereunder, to collect, receive and retain the rents as they become due and payable, but not otherwise. TRUSTOR shall, at the request of BENEFCIARY, execute such further assignments to BENEFCIARY of any or all such leases, agreements and rents as BENEFCIARY may require.

Upon any such default by TRUSTOR hereunder, BENEFCIARY may, at any time and without notice (either in person, by agent or representative, or by a receiver appointed by a court) and without regard to the adequacy of any security for the indebtedness and/or obligations secured by this Deed of Trust: enter upon and take possession of the premises or any part thereof, in its own name or in the name of TRUSTOR; sue for or otherwise collect the rents (including those past due and unpaid) and apply such rents (less costs and expenses of operation and collection, including attorneys' fees and expenses) to the payment of such indebtedness secured under this Deed of Trust in such order and proportions as BENEFCIARY in its absolute discretion may determine. The entering upon and taking possession of the premises and the collection and application of the rents shall not cure or waive any default or notice of default hereunder or invalidate any act done

pursuant to such notice.

(l) Security Agreement. TRUSTOR hereby grants to BENEFICIARY a security interest in and to all tangible personal property now owned or hereafter located on the Property, together with all proceeds of the foregoing. With respect to all fixtures, this Deed of Trust constitutes a financing statement filed as a fixture filing with respect to any goods, or other personal property, that may now be or hereafter become such fixtures. TRUSTOR to include a current inventory of tangible personal property as Exhibit "B". TRUSTOR will update the inventory of tangible personal property semi-annually and provide the updated schedule to BENEFICIARY on or before June 30 and December 31 of each year.

(m) Sale by Trustee of the Premises. Upon a default in the payment of any indebtedness, or the performance of any obligation, secured by this Deed of Trust, or upon a default in the payment of any amounts secured by the any junior lien, or in the event that any representation, covenant or warranty contained in this Deed of Trust or in any other document evidencing or securing the loan for which ay such indebtedness is evidenced shall be or become untrue, BENEFICIARY may (without notice to or demand upon TRUSTOR): declare all indebtedness secured by this Deed of Trust immediately due and payable; and/or execute and record (or cause TRUSTEE to execute and record) a notice of default and election to cause the premises to be sold to satisfy the indebtedness and obligations secured hereby; and/or commence an action to foreclose this Deed of Trust and/or take any other action permitted by law to enforce its rights and remedies hereunder as it may deem to be appropriate. Upon the recordation of such notice of default, BENEFICIARY shall deposit this Deed of Trust and all documents evidencing such indebtedness and/or such obligations with TRUSTEE.

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After the lapse of such time as may then be required by law following the recordation of the notice of default, and after the notice of the sale of the premises has been given by TRUSTEE as then required by law, TRUSTEE (without demand on TRUSTOR) shall sell the premises at the time and place fixed in such notice of sale, either as a whole or in separate parcels, and in such order as TRUSTEE may determine, at public auction to the highest bidder for cash in lawful money of the United States of America, payable at the time of sale. TRUSTEE may postpone the sale of all or any portion of the premises by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement.

TRUSTEE shall deliver to the purchaser a deed conveying the premises (or such portion thereof) so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof.

Any person, including, TRUSTOR, TRUSTEE, or BENEFICIARY, may purchase at such sale.

Upon such sale by TRUSTEE, and after deducting all costs, expenses, and fees of TRUSTEE and of this Trust (including the cost of evidence of title in connection with the sale), TRUSTEE shall apply the proceeds from the sale to the payment of: the indebtedness and obligations secured by this Deed of Trust, whether evidenced by the Loan Agreement or otherwise; sums representing advances made or expenditures made and incurred by, and not then repaid to, BENEFICIARY or TRUSTEE under this Deed of Trust or under any document evidencing or securing any indebtedness secured hereby, together with accrued interest thereon at the rate specified in Subsection 5(f) of this Deed of Trust; all other sums then secured by this Deed of Trust, together with interest as provided in any document pertaining thereto; and the remainder, if any, to the person or persons legally entitled thereto.

If this Deed of Trust provides for any charge for prepayment of any indebtedness secured hereby, TRUSTOR agrees to pay said charge if any of such indebtedness shall be paid prior to the normal due date thereof stated in this Deed of Trust or the Loan Agreement; this result shall obtain even if and notwithstanding TRUSTOR shall have defaulted in the payment thereof or in the performance of any obligation hereunder, and BENEFICIARY, by

reason of such default, shall have declared all indebtedness secured hereby immediately due and payable.

(n) Acceleration of Indebtedness Upon Sale of the Premises. In the event TRUSTOR, or any successor in interest to TRUSTOR in the premises secured by this Deed of Trust, sells, conveys, alienates, assigns, transfers, or disposes of the premises, or any part thereof or any interest therein, including, but not limited to, all or any part of the Trustor's water or water rights, or becomes divested of its title or any interest therein in any manner or way, or enters into a lease for longer than one

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year covering all or any portion thereof or an undivided interest therein, whether voluntary, involuntary, or otherwise or enters into an agreement to do so, without the prior written consent of BENEFICIARY, then BENEFICIARY may, at its election, declare the obligations secured by this Deed of Trust, irrespective of the maturity date specified in the Loan Agreement or in any written agreement pertaining to the Loan Agreement and/or such other indebtedness and obligations, immediately due and payable without notice. No waiver of this right shall be effective unless in writing. Consent by BENEFICIARY to one such transaction shall not constitute or be deemed to be a waiver of the rights of the BENEFICIARY provided here, or a waiver of the requirement of the prior written consent of BENEFICIARY, as to future or succeeding transactions.

(o) Acceleration of Indebtedness Upon Change in Ownership, Control, or Membership of Trustor. Should there occur any sale, conveyance, transfer, disposition or encumbrance (whether voluntary or involuntary, or otherwise), or should an agreement be entered into to do so, with respect to any of the general or limited partnership interests in TRUSTOR, then BENEFICIARY, may, at its election, declare the obligations secured by this Deed of Trust, irrespective of the maturity date specified in the Loan Agreement or in any written agreement pertaining to the Loan Agreement and/or such otherwise indebtedness and obligations, immediately due and payable, without notice, unless BENEFICIARY shall have given its prior written consent thereto. Consent to one such transaction shall not constitute or be deemed to be a waiver of the right to require such consent as to future or succeeding transactions.

(p) Acceleration of Indebtedness Upon an Event of Bankruptcy or Insolvency. TRUSTOR agrees that BENEFICIARY may, at its election, declare the obligations secured by this Deed of Trust, irrespective of the maturity date specified in the Loan Agreement or in any written agreement pertaining to the Loan Agreement and/or such other indebtedness and obligations, immediately due and payable, without notice: if any proceeding under the Bankruptcy Code, or under any present or future federal, state or other statute, law or regulation pertaining to bankruptcy, insolvency or other relief for debtors shall be instituted by or against TRUST or any other person who may be liable (by way of guaranty, assumption, endorsement or otherwise) under the Loan Agreement and/or such other indebtedness and obligations secured hereby; and/or if a receiver, TRUSTEE or custodian shall be appointed for TRUSTOR or such other person shall make an assignment for the benefit of creditors and if such proceeding or receiver, TRUSTEE or custodian shall not be dismissed, or such assignment shall not be voided, within sixty (60) days of such institution, appointment or making.

(q) Successor Trustees. BENEFICIARY, acting alone, may, from time to time, by instrument in writing, substitute a successor or successors to any TRUSTEE named herein or acting hereunder. Such instrument, executed, acknowledged and recorded in the manner required by law, shall be conclusive proof of proper substitution of such successor TRUSTEE or TRUSTEES, who shall (without conveyance from the preceding TRUSTEE) succeed to all of the title, estate, rights, powers and duties of such preceding TRUSTEE. Such instrument must contain the name of the original Trustor, TRUSTEE and BENEFICIARY hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new TRUSTEE. If a notice

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of default has been recorded, this power of substitution cannot be exercised until after the costs, fees, and expenses of the then acting TRUSTEE have been paid to such TRUSTEE, who shall endorse receipt thereof upon such instrument or substitution.

(r) Cumulative Remedies; Additional Security. No remedy herein conferred upon or reserved to the parties to this Deed of Trust is intended to be exclusive of any other remedy provided herein or by law. Each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission of TRUSTEE or BENEFICIARY in the exercising of any right or power accruing upon any event of default hereunder shall impair such right or power or any other right or power, nor shall such delay or omission be construed or deemed to be a waiver of any default or any acquiescence therein.

If there exists additional security for the indebtedness and obligations secured by this Deed of Trust, BENEFICIARY, at its election and without limiting or affecting any of its rights or remedies hereunder, may exercise any of the rights and remedies to which BENEFICIARY may be entitled hereunder either concurrently with whatever rights or remedies BENEFICIARY may have in connection with such other security or in such order and in such manner as BENEFICIARY may deem fit without waiving any rights or remedies with respect to any other security.

(s) Partial Invalidity of this Deed of Trust. In the event any one or more of the provisions of this Deed of Trust, or any other document evidencing the indebtedness and obligations secured hereby shall for any reason be held to be invalid, illegal and/or unenforceable in any respect, such invalidity, illegality and/or unenforceability shall not affect any other provision of this Deed of Trust, or any such other document, and such other provisions shall remain binding and enforceable and shall continue in effect.

(t) Application of California Law. This Deed of Trust has been executed and delivered in the State of California and shall be governed by and construed according to the laws of the State of California without regard to conflict of law principles, to the jurisdiction of whose courts the Trustor hereby submits.

(u) Miscellaneous Provisions.

(1) This Deed of Trust applies to, inures to the benefit of and binds all parties hereto and their respective heirs, legatees, devisees, administrators, executors, successors and assigns. The term "BENEFICIARY" as used herein shall mean the owner and holder, including pledgees, of the Loan Agreement, or any other indebtedness secured hereby, whether or not named as BENEFICIARY herein.

(2) The headings and captions of the paragraphs of this Deed of Trust are for reference purposes only and shall not be construed or deemed to define or limit any of the terms and provisions contained thereunder. Whenever in this Deed of Trust the context so requires,

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the gender used includes the masculine, feminine, and/or neuter and the number so used includes the singular and/or the plural.

(3) Any Trustor who is married hereby expressly agrees that recourse may be had against such persons separate property, but without thereby creating any lien or charge thereon for any deficiency after sale of the premises as herein provided.

(4) The pleading of any statute of limitations as a defense to any and all indebtedness and/or obligations secured by this Deed of Trust is hereby waived to the fullest extent permissible by law.

(5) In the event of the passage, after the date of this Deed of Trust, of any law deducting from the value of real property, for tax purposes, any lien or charge thereon, or changing in any way the laws now existing for the taxation of deeds of trust or indebtedness

secured by deeds of trust for federal, state or local purposes, or changing the manner of collection of any such taxes as to affect this Deed of Trust or the indebtedness secured hereby, TRUSTOR agrees to pay such tax arising from such new law; and if TRUSTOR fails to do so or if it would be illegal for TRUSTOR to do so, BENEFICIARY may, at its election and without demand or notice, declare the entire indebtedness secured by this Deed of Trust (together with accrued interest thereon) immediately due and payable.

(6) TRUSTEE accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. TRUSTEE is not obligated to notify any party to this Deed of Trust of a pending sale under any other deed of trust or of any action or proceeding in which TRUSTOR, BENEFICIARY and/or TRUSTEE is a party, unless brought by TRUSTEE hereunder.

(7) To the extent that this Deed of Trust encumbers a leasehold interest in the land comprising the property, if at any time hereafter TRUSTOR shall acquire fee title to the property and the leasehold interest of TRUSTOR shall become extinguished by reason of the merger of title or otherwise by operation of law, this Deed of Trust shall thereupon encumber TRUSTOR'S feehold interest in the property without the necessity of executing (by TRUSTOR and BENEFICIARY and/or TRUSTEE) or recording any further documents or instruments pertaining to such event, it being the purposes and intent of TRUSTOR that whatever interest which TRUSTOR may now or hereafter have in the property shall be encumbered by this Deed of Trust.

(8) TRUSTOR requests that a copy of any notice of default or any notice of sale thereunder be mailed to TRUSTOR at the address below, or at such other address as TRUSTOR may, from time to time, notify TRUSTEE BY certified United States mail.

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Trustor: Pacific Ethanol Madera LLC  
31470 Avenue 12  
Madera, California 93637  
Facsimile Number: (559) 435-1771  
Attn: Jeff Manternach

With a copy to: Christopher L. Campbell, Esq.  
Baker, Manock & Jensen  
5260 North Palm Avenue, Suite 421  
Fresno, California 93704  
Facsimile Number: (559) 432-5400

(9) This Deed of Trust may be executed in one or more counterparts for the purpose of recording concurrently in more than one County, each of which is deemed to be an original, but which together shall constitute one and the same instrument.

6. Notwithstanding any provision to the contrary herein, BENEFICIARY, TRUSTOR and TRUSTEE hereby acknowledge and agree that the lien created by this Deed of Trust is subject and subordinate to the lien created by that certain Deed of Trust, Assignment of Lease and Rents, Security Agreement and Fixture Filing, dated as of April 13, 2006, made by BENEFICIARY to Chicago Title Company, as trustee, for the benefit of Hudson United Capital, a Division of TD Banknorth, N.A., as beneficiary, which has been recorded in the official records of Madera County prior hereto.

7. Notwithstanding any provision to the contrary herein, BENEFICIARY, TRUSTOR and TRUSTEE hereby acknowledge and agree that all rights and remedies under this Deed of Trust shall be governed by, and subject to, that certain Intercreditor and Collateral Sharing Agreement, dated April 13, 2006, between Hudson United Capital, a Division of TD Banknorth, N.A., as administrative agent and Lyles Diversified, Inc., a California corporation.

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IN WITNESS WHEREOF, this Deed of Trust is executed as of the date first herein above written.

PACIFIC ETHANOL MADERA LLC, a Delaware limited liability company

By: /s/ Ryan Turner

-----  
Name:  
Title:

Exhibit "A"  
Description of the Property

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of MADERA, State of California, described as follows:

PARCEL A:

A PARCEL OF LAND LYING IN THE NORTH HALF OF SECTION 2, TOWNSHIP 12 SOUTH, RANGE 18 EAST, M.D.B.&M., IN THE UNINCORPORATED AREA, COUNTY OF MADERA, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, BEING ALSO A PORTION OF PARCEL 1 OF PARCEL MAP NO. 1121, RECORDED IN BOOK 23 OF MAPS, AT PAGE 11, MADERA COUNTY RECORDS, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID PARCEL 1; THENCE NORTH 00(degree)31'16" EAST ALONG THE WEST LINE OF SAID PARCEL 1 A DISTANCE OF 2,412.82 FEET TO THE NORTHWEST CORNER OF SAID PARCEL 1; THENCE SOUTH 89(degree)16'26" EAST ALONG THE NORTH LINE OF SAID PARCEL 1 A DISTANCE OF 874.08 FEET TO A POINT ON THE SOUTHWESTERLY LINE OF THE ATCHESON TOPEKA AND SANTA FE RAILROAD RIGHT OF WAY LINE A DISTANCE OF 2,457.39 FEET; THENCE SOUTH 89(degree)55'38" WEST AND PARALLEL WITH THE SOUTH LINE OF SAID PARCEL 1 A DISTANCE OF 855.09 FEET; THENCE SOUTH 00(degree)27'17" WEST A DISTANCE OF 393.68 FEET TO A POINT ON THE SOUTH LINE OF SAID PARCEL 1, SAID POINT BEING ALSO THE NORTHWEST CORNER OF PARCEL 1 OF PARCEL MAP 1121 A DISTANCE OF 643.46 FEET TO THE CENTER OF SAID SECTION 2; THENCE CONTINUING SOUTH 89(degree)55'38" WEST ALONG THE SOUTH LINE OF LAST SAID PARCEL 1 A DISTANCE OF 815.04 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION GRANTED TO THE COUNTY OF MADERA IN THAT CERTAIN GRANT DEED RECORDED JANUARY 15, 1982 AS INSTRUMENT NO. 815 OF MADERA COUNTY RECORDS.

PARCEL B:

A PARCEL OF LAND IN SECTION 2, TOWNSHIP 12 SOUTH, RANGE 18 EAST, M.D.B.&M., IN THE UNINCORPORATED AREA, COUNTY OF MADERA, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF PARCEL 1 OF PARCEL MAP NO. 2031, RECORDED IN BOOK 27 OF MAPS AT PAGE 140, MADERA COUNTY RECORDS; THENCE SOUTH 89(degree)55'38" WEST ALONG THE NORTHERLY BOUNDARY LINE OF PARCEL 2 OF SAID PARCEL MAP NO. 2031 A DISTANCE OF 643.46 FEET TO THE CENTER OF SAID SECTION 2; THENCE CONTINUING SOUTH 89(degree)55'38" WEST A DISTANCE OF 815.04 FEET; THENCE SOUTH 89(degree)55'38" EAST, PARALLEL TO THE NORTH LINE OF SAID PARCEL 1 A DISTANCE OF 1343.48 FEET TO A POINT ON THE EAST LINE OF SAID PARCEL 1;

CONTINUED NEXT PAGE

THENCE NORTH 0(degree)28'16" EAST ALONG THE EAST LINE OF SAID PARCEL 1 A DISTANCE OF 365.46 FEET TO A POINT ON THE SOUTHWESTERLY LINE OF THE ATCHESON, TOPEKA AD SANTA FE RAILROAD COMPANY'S RIGHT OF WAY; THENCE NORTH 35(degree)25'56" WEST ALONG SAID RAILROAD RIGHT OF WAY LINE A DISTANCE OF 352.56

FEEET TO THE NORTHEASTERLY CORNER OF SAID PARCEL 1; THENCE NORTH 35(degree)19'16"  
WEST CONTINUING ALONG SAID RAILROAD RIGHT OF WAY LINE A DISTANCE OF 482.04 FEET;  
THENCE SOUTH 89(degree)55'38" WEST, PARALLEL TO THE NORTH LINE OF SAID PARCEL 1  
A DISTANCE OF 855.09 FEET TO A POINT ON THE NORTHERLY EXTENSION OF THIS WEST  
LINE OF SAID PARCEL 1; THENCE SOUTH 0(degree)27'17" WEST, A DISTANCE OF 393.68  
FEET, TO THE POINT OF BEGINNING.

APN: 047-130-020-000