

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 21, 2009

PACIFIC ETHANOL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

000-21467

(Commission File Number)

41-2170618

(IRS Employer
Identification No.)

400 Capitol Mall, Suite 2060, Sacramento, CA

(Address of principal executive offices)

95814

(Zip Code)

Registrant's telephone number, including area code:

(916) 403-2123

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(a) Not applicable.

(b) Not applicable.

(c) (1) On April 21, 2009, Bryon T. McGregor was appointed as Interim Chief Financial Officer and principal financial and accounting officer of Pacific Ethanol, Inc. (the "Company"), effective immediately.

(2) **Bryon T. McGregor**, 45, served as Vice President, Finance at Pacific Ethanol from September 2008 until his appointment as Interim Chief Financial Officer. Prior to joining Pacific Ethanol, Mr. McGregor was employed as Senior Director for E*TRADE Financial from February 2002 to August 2008, serving in various capacities including International Treasurer based in London, England from 2006 to 2008, Brokerage Treasurer and Director from 2003 to 2006 and Assistant Treasurer and Director of Finance and Investor Relations from 2002 to 2003. Prior to joining E*TRADE, Mr. McGregor served as Manager of Finance and Head of Project Finance for BP (formerly Atlantic Richfield Company – ARCO) from 1998 to 2001. Mr. McGregor has extensive experience in banking and served as a Director of International Project Finance for Credit Suisse from 1992 to 1998, as Assistant Vice President for Sumitomo Mitsubishi Banking Corp (formerly The Sumitomo Bank Limited) from 1989 to 1992, and as Commercial Banking Officer for Bank of America from 1987 to 1989. Mr. McGregor has a B.S. degree in Business Management from Brigham Young University with an emphasis in International Finance and a minor in Japanese.

(3) (A) *Employment Agreement effective as of December 22, 2008 between Pacific Ethanol, Inc. and Bryon T. McGregor*

On December 22, 2008, Bryon T. McGregor ("Employee") entered into an Employment Agreement with the Company in connection with Mr. McGregor's employment with the Company as its Vice President, Finance. On December 22, 2008, Employee and the Company also entered into a First Amendment to Employment Agreement (the Employment Agreement and the First Amendment to Employment Agreement shall be collectively referred to herein as the "Employment Agreement"). The Employment Agreement and the First Amendment to Employment Agreement are included as Exhibits 10.1 and 10.2 to this Current Report on Form 8-K.

The Employment Agreement provides for at-will employment. Employee is to receive a base salary of \$185,000 per year and is eligible to receive an annual discretionary cash bonus of up to 30% of his base salary. Employee was, however, guaranteed a minimum cash bonus of \$40,000 for 2008.

Employee was to be issued an aggregate of 5,000 shares of the Company's common stock pursuant to a restricted stock purchase agreement that will vest as to 2,500 shares on the first anniversary of Employee's first day of employment and as to an additional 2,500 shares on the second anniversary of Employee's first day of employment, provided Employee is employed by the Company at that time.

Employee is entitled to participate in the Company's relocation assistance program, which will cover (i) one house hunting/familiarization trip up to four (4) days for Employee and his family, (ii) six (6) weeks of temporary housing, and (iii) a relocation lump sum of \$20,000 to be paid on the first full pay date after employment. Employee will be obligated to repay all amounts received under the relocation assistance program if he resigns before completing twelve (12) months of employment.

In the event the Company terminates Employee's employment without cause or upon the Employee's disability, Employee is entitled to receive severance pay equal to six (6) months of base salary. The term "cause" is defined in the Employment Agreement as (i) Employee's indictment or conviction of any felony or of any crime involving dishonesty; (ii) Employee's participation in any fraud or other act of willful misconduct against the Company (including any material breach of Company policy that causes or reasonably could cause harm to the Company); (iii) Employee's refusal to comply with any lawful directive of the Company; (iv) Employee's material breach of Employee's fiduciary, statutory, contractual, or common law duties to the Company (including any material breach of the Employment Agreement or related Confidential Information and Inventions Agreement); or (v) conduct by Employee which in the good faith and reasonable determination of the Board demonstrates gross unfitness to serve; provided, however, that in the event that any of the foregoing events is reasonably capable of being cured, the Company shall, within twenty (20) days after the discovery of such event, provide written notice to Employee describing the nature of such event and Employee shall thereafter have ten (10) business days to cure such event.

The Employment Agreement also contains other customary terms and conditions.

(B) *Indemnity Agreement dated as of April 21, 2009 between Pacific Ethanol, Inc. and Bryon T. McGregor*

The Company entered into an Indemnity Agreement dated as of April 21, 2009 with Bryon T. McGregor ("Indemnitee") in connection with the appointment of Indemnitee as Interim Chief Financial Officer of the Company. Indemnitee's appointment as Interim Chief Financial Officer is effective as of April 21, 2009. The Indemnity Agreement is included as Exhibit 10.3 to this Current Report on Form 8-K.

Under the Indemnity Agreement, the Company has agreed to indemnify Indemnitee to the fullest extent permitted by the Delaware General Corporation Law if (a) Indemnitee is a party to or threatened to be made a party to or otherwise involved in any proceeding, or (b) if Indemnitee is a party to or threatened to be made a party to or otherwise involved in any proceeding by or in the right of the Company to procure a judgment in its favor against any and all expenses actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any such proceeding.

The indemnification obligations of the Company set forth in the preceding paragraph are subject to the following exceptions: (a) the Company shall not be obligated to indemnify Indemnitee on account of any proceeding with respect to (i) remuneration paid to Indemnitee if it is determined by final judgment or other final adjudication that such remuneration was in violation of law; (ii) a final judgment rendered against Indemnitee for an accounting, disgorgement or repayment of profits made from the purchase or sale by Indemnitee of securities of the Company against Indemnitee or in connection with a settlement by or on behalf of Indemnitee to the extent it is acknowledged by Indemnitee and the Company that such amount paid in settlement resulted from Indemnitee's conduct from which Indemnitee received monetary personal profit, pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or other provisions of any federal, state or local statute or rules and regulations thereunder; (iii) a final judgment or other final adjudication that Indemnitee's conduct was in bad faith, knowingly fraudulent or deliberately dishonest or constituted willful misconduct (but only to the extent of such specific determination); or (iv) on account of conduct that is established by a final judgment as constituting a breach of Indemnitee's duty of loyalty to the Company or resulting in any personal profit or advantage to which Indemnitee is not legally entitled; (b) the Company shall not be obligated to indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought by Indemnitee against the Company or its directors, officers, employees or other agents and not by way of defense, except (i) with respect to proceedings brought to establish or enforce a right to indemnification under the Indemnity Agreement or under any other agreement, provision in the Company's Bylaws or Certificate of Incorporation or applicable law, or (ii) with respect to any other proceeding initiated by Indemnitee that is either approved by the Board of Directors or Indemnitee's participation is required by applicable law; (c) the Company shall not be obligated to indemnify Indemnitee for any amounts paid in settlement of a proceeding effected without the Company's written consent; and (d) the Company shall not be obligated to indemnify Indemnitee or otherwise act in violation of any undertaking appearing in and required by the rules and regulations promulgated under the Securities Act of 1933, as amended (the "Act"), or in any registration statement filed with the Securities and Exchange Commission under the Act.

"Expenses" shall be broadly construed and shall include, without limitation, all direct and indirect costs of any type or nature whatsoever (including, without limitation, all attorneys', witness, or other professional fees and related disbursements, and other out-of-pocket costs of whatever nature), actually and reasonably incurred by Indemnitee in connection with the investigation, defense or appeal of a proceeding or establishing or enforcing a right to indemnification under the Indemnity Agreement, the Delaware General Corporation Law or otherwise, and amounts paid in settlement by or on behalf of Indemnitee, but shall not include any judgments, fines or penalties actually levied against Indemnitee for such individual's violations of law. The term "expenses" shall also include reasonable compensation for time spent by Indemnitee for which he is not compensated by the Company or any subsidiary or third party (i) for any period during which Indemnitee is not an agent, in the employment of, or providing services for compensation to, the Company or any subsidiary; and (ii) if the rate of compensation and estimated time involved is approved by the directors of the Company who are not parties to any action with respect to which expenses are incurred, for Indemnitee while an agent of, employed by, or providing services for compensation to, the Company or any subsidiary.

If Indemnitee requests the Company to pay the expenses of any proceeding, the Company, if appropriate, shall be entitled to assume the defense of such proceeding or to participate to the extent permissible in such proceeding, with counsel reasonably acceptable to Indemnitee. Upon assumption of the defense by the Company, the Company shall not be liable to Indemnitee for any fees of counsel subsequently incurred by Indemnity with respect to the same proceeding.

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

To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company or of any subsidiary, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies.

(d) Not applicable.

(e) The disclosures included in Item 5.02(c)(3) above are incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

Not applicable.

(b) Pro forma financial information.

Not applicable.

(c) Shell company transactions.

Not applicable.

(d) Exhibits.

<u>Number</u>	<u>Description</u>
10.1	Employment Agreement effective as of December 22, 2008 by and between Pacific Ethanol, Inc. and Bryon T. McGregor (*)
10.2	First Amendment to Employment Agreement entered into on December 22, 2008 by and between Pacific Ethanol, Inc. and Bryon T. McGregor (*)
10.3	Indemnity Agreement dated as of April 21, 2009 by and between Pacific Ethanol, Inc. and Bryon T. McGregor (*)

* Filed herewith

SIGNATURES

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

Date: April 22, 2009

PACIFIC ETHANOL, INC.

By: /S/ CHRISTOPHER W. WRIGHT

Christopher W. Wright,

Vice President, General Counsel & Secretary

EXHIBITS FILED WITH THIS REPORT

<u>Number</u>	<u>Description</u>
10.1	Employment Agreement effective as of December 22, 2008 by and between Pacific Ethanol, Inc. and Bryon T. McGregor
10.2	First Amendment to Employment Agreement entered into on December 22, 2008 by and between Pacific Ethanol, Inc. and Bryon T. McGregor
10.3	Indemnity Agreement dated as of April 21, 2009 by and between Pacific Ethanol, Inc. and Bryon T. McGregor

Pacific Ethanol, Inc.

EMPLOYMENT AGREEMENT

For

Bryon McGregor

This Employment Agreement ("Agreement") by and between Byron McGregor ("Employee") and Pacific Ethanol, Inc. (the "Company") (collectively, the "Parties") is effective as of the last date signed by the Parties.

WHEREAS, the Company desires to employ Employee to provide personal services to the Company, and wishes to provide Employee with certain compensation and benefits in return for his services;

WHEREAS, Employee wishes to be employed by the Company and to provide personal services to the Company in return for certain compensation and benefits; and

WHEREAS, the Parties entered into an Offer Letter on or about June 5, 2008 setting forth certain terms of Employee's employment with the Company the "Offer Letter" and now seek to supersede and replace the Offer Letter;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

1. EMPLOYMENT BY THE COMPANY.

1.1 Position. Subject to terms and conditions set forth herein, the Company agrees to employ Employee in the position of Vice President, Finance and Employee hereby accepts such employment. During the term of Employee's employment with the Company, Employee will devote Employee's best efforts and substantially all of Employee's business time and attention to the business of the Company.

1.2 Duties and Location. Employee shall perform such duties as are customarily associated with Employee's then current title. Employee's primary office location shall be a location mutually acceptable to both the Employee and the Company. The Company reserves the right to reasonably require Employee to perform Employee's duties at places other than Employee's primary office location from time to time as agreed to by Employee, and to require reasonable business travel.

1.3 Policies and Procedures. The employment relationship between the parties shall be governed by the general employment policies and practices of the Company, except that when the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control.

2. COMPENSATION.

2.1 Salary. For services to be rendered hereunder, Employee shall receive an annual salary at the rate of \$185,000, paid bi-weekly in the amount of \$7,115.38 (the "Base Salary"), subject to standard payroll deductions and withholdings and payable in accordance with the Company's regular payroll schedule. Employee's Base Salary shall be reviewed annually and may be increased as approved by the Company's Board of Directors (the "Board") in its sole discretion.

2.2 Annual Bonus. Employee will be eligible for a annual discretionary bonus with a target of thirty percent (30%) of his Base Salary (the "Annual Bonus"). Whether any Annual Bonus will be awarded, and the amount of the Annual Bonus awarded to Employee, shall be determined by the Board in its sole discretion based upon its consideration of both the Company's performance and Employee's performance. Employee will be guaranteed a minimum annual bonus of 540,000 for the performance year of 2008 to be paid concurrent with the bonus process for the rest of the company. Since the Annual Bonus is intended both to reward past Company and Employee performance and to provide an incentive for Employee to remain with the Company, Employee must remain an active employee through the date that any such Annual Bonus is paid to him in order to earn any such bonus. Employee will not earn any Annual Bonus (including a prorated bonus) if Employee's employment terminates for any reason before the Annual Bonus is paid to him.

2.3 Standard Company Benefits. Employee shall be entitled to participate in such of the Company's benefit and compensation plans and programs as may be made available to employees of the Company including, without limitation, the Company's Long Term Incentive Plan, subject in each case to: (i) the generally applicable terms and conditions of the applicable plan or program and to the determinations of the Board or other person administering such plan or program, (ii) determinations by the Board or any such person as to whether and to what extent Employee shall so participate or cease to participate, and (iii) amendment, modification or termination of any such plan or program in the sole and absolute discretion of the Board.

2.4 Restricted Stock, Options. The employee shall be granted 5,000 shares of restricted Company stock (the "Restricted Stock"). The Restricted Stock shall vest according to a vesting schedule set forth in the governing restricted stock purchase agreement which shall be: 2,500 shares shall vest one-year after the employee's first date of employment; the remaining 2,500 shares shall vest on the two-year anniversary date of employment; provided that employee employed by the Company.

2.5 Relocation Assistance. Employee shall be entitled to participate in the Company's relocation assistance program, which will cover: (i) one (1) house hunting/familiarization trip up to four (4) days for the Employee and his family; (ii) 6 weeks of temporary housing, and (iii) a relocation lump sum of \$20,000 to be paid on the first full pay date after employment. Employee's relocation assistance is conditional as Employee must repay all sums received by Employee pursuant to the program if he resigns before completing 12 months of employment. The Company shall be entitled to offset against sums otherwise owed Employee in order to recoup amounts owed by Employee pursuant to the preceding sentence.

3. CONFIDENTIAL INFORMATION OBLIGATIONS

3.1 Confidential Information Agreement. As a condition of employment, Employee agrees to execute and abide by the Employee Confidential Information and Inventions Agreement attached hereto as Exhibit A.

3.2 Third Party Agreements and Information. Employee represents and warrants that Employee's employment by the Company will not conflict with any prior employment or consulting agreement or other agreement with any third party, and that Employee will perform Employee's duties to the Company without violating any such agreement. Employee represents and warrants that Employee does not possess confidential information arising out of prior employment, consulting, or other third party relationships, which would be used in with Employee's employment by the Company, except as expressly authorized by that third party. During Employee's employment by the Company, Employee will use in the performance of Employee's duties only information which is generally known and used by persons with training and experience comparable to Employee's own, common knowledge in the industry, otherwise legally in the public domain, or obtained or developed by the Company or by Employee in the course of Employee's work for the Company.

4. OUTSIDE ACTIVITIES DURING EMPLOYMENT.

4.1 Non-Company Business. Except with the prior written consent of the Chief Executive Officer (in consultation with the General Counsel), Employee will not during the term of Employee's employment with the Company undertake or engage in any other employment, occupation or business enterprise, other than ones in which Employee is a passive investor. Employee may engage in civic and not-for-profit activities so long as such activities do not materially interfere with the performance of Employee's duties hereunder.

4.2 No Adverse Interests. Employee agrees not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known by him to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise, except as a passive investor in mutual or exchange traded funds.

5. TERMINATION OF EMPLOYMENT.

5.1 At-Will Relationship. Employee's employment relationship is at-will. Either Employee or the Company may terminate the employment relationship at any time, with or without Cause or advance notice.

5.2 Termination without Cause. If, at any time, the Company terminates Employee's employment without Cause (as defined herein) and Employee executes and delivers the Separation Date Release of all claims set forth as Exhibit B hereto and allows such release to become effective, then the Company shall pay Employee severance in the form of Employee's Base Salary in effect on Employee's last day of employment (the "Separation Date") for a period of 6 months after Employee's termination. This severance shall be paid in substantially equal installments on the Company's regular payroll schedule (subject to standard deductions and withholdings) over the 6 month period following the Separation Date; provided, however, that no payments will be made prior to the effective date of the release of claims.

5.3 Termination for Cause; Resignation. If the Company terminates Employee's employment with the Company for Cause, or Employee resigns for any reason whatsoever, then Employee will not be entitled for any further compensation from the Company (other than accrued salary, and accrued and unused vacation, through Employee's Separation Date), severance pay, pay in lieu of notice or any other such compensation.

5.4 Termination Due to Death or Disability.

(a) **Death.** This Agreement shall terminate immediately upon Employee's death and Employee's estate shall not be entitled to any further compensation from the Company (other than accrued salary, and accrued and unused vacation, through Employee's Separation Date), including severance pay, pay in lieu of notice or any other such compensation.

(b) **Disability.** If Employee is incapacitated by accident, sickness or otherwise such that Employee is incapable of performing the services set forth in Section 1.1 herein, and such incapacity is certified by a qualified medical doctor, then this Agreement shall terminate. In such an event, and if Employee or someone authorized to act on his behalf executes and delivers the Separation Date Release of all claims set forth as Exhibit B hereto and allows such release to become effective, then the Company shall pay Employee severance in the form of continuation of Employee's Base Salary in effect on Employee's Separation Date for a period of 6 months after Employee's termination. This severance shall be paid in substantially equal installments on the Company's regular payroll schedule (subject to standard deductions and withholdings) over the 6 month period following the Separation Date: provided, however, that no payments will be made prior to the effective date of the release of claims. On the first payroll date following the date of the release, the Company will pay Employee the payments that Employee would have received on or prior to such date in a lump sum under the original schedule but for the delay in effectiveness of the release, with the balance of the cash severance being paid as originally scheduled. The severance benefits provided for in this Section 5.4 shall be reduced by any amounts provided to Employee by any federal or state disability insurance payments or benefits, and any private insurance disability payments or benefits, provided to Employee.

5.5 Health Insurance. To the extent provided by the federal continuation of coverage law or, if applicable, state laws of similar effect (collectively, "COBRA"), and by the Company's then-current group health insurance policies, Employee may be eligible to continue Employee's then-current group health insurance benefits at Employee's own expense after the termination of Employee's employment. Employee will be provided with a separate notice describing Employee's rights and obligations under the applicable state and/or federal COBRA laws on or after the Separation Date.

5.6 Section 409A Compliance. The parties intend that the severance benefits provided under Section 5.2 or 5.4 above, as applicable (the "Severance"), satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Internal Revenue Code (together with any state laws of similar effect, ("Section 409A") provided under Treasury Regulations 1.409A-1(b)(4) and 1.409A1(b)(9)(iii). Notwithstanding the foregoing, if the Company (or, if applicable, the successor entity thereto) determines that the Severance constitutes "deferred compensation" under Section 409A, and if Executive is a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) (a "**Specified Employee**"), then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Severance shall be delayed as follows: on the earlier to occur of (i) the date that is six months and one day after the date of separation of service or (ii) the date of Executive's death (such earlier date, the "**Delayed Initial Payment Date**"), the Company (or the successor entity thereto, as applicable) shall (A) pay to Executive a lump sum amount equal to the sum of the Severance that Executive would otherwise have received through the Delayed Initial Payment Date if the commencement of the payment of the Severance had not been delayed pursuant to this paragraph and (B) commence paying the balance of the Severance in accordance with the payment schedule set forth above. It is intended that each payment made pursuant to Section 5.2 or 5.4, as applicable, is a separate payment (as defined in Treasury Regulations Section 1.409A- 2(b)(2)) from any other payments made pursuant to this Agreement for purposes of the "short term deferral rule" under Treasury Regulations Section 1.409A- I (b)(4).

5.7 No Mitigation. Employee shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Employee as the result of employment by another employer after the date of termination, or otherwise.

5.8 Definition of "Cause." For purposes of this Agreement, "**Cause**" shall mean any one or more of the following:

- (a) Employee's indictment or conviction of any felony or of any crime involving dishonesty;
- (b) Employee's participation in any fraud or other act of willful misconduct against the Company (including any material breach of Company policy that causes or reasonably could cause harm to the Company);

- (c) Employee's refusal to comply with any lawful directive of the Company;
- (d) Employee's material breach of Employee's fiduciary, statutory, contractual, or common law duties to the Company (including any material breach of this Agreement or the Confidential Information and Inventions Agreement); or
- (e) Conduct by Employee which in the good faith and reasonable determination of the Board demonstrates gross unfitness to serve.

Provided, however, that in the event that any of the foregoing events is reasonably capable of being cured, the Company shall, within twenty (20) days after the discovery of such event, provide written notice to the Employee describing the nature of such event and Employee shall thereafter have ten (10) business days to cure such event.

6. ARBITRATION.

To ensure the timely and economical resolution of disputes that may arise in connection with Employee's employment with the Company, Employee and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance, negotiation, execution, or interpretation of this Agreement, Employee's employment, or the termination of Employee's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in Sacramento, California, conducted by JAMS under the then applicable JAMS rules. **By agreeing to this arbitration procedure, both Employee and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Employee or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Employee or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration.

7. GENERAL PROVISIONS.

7.1 Notices. Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by fax) or the next day after sending by overnight carrier, to the Company at its primary office location and to Employee at his address as listed on the Company payroll.

7.2 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not effect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction to the extent possible in keeping with the intent of the parties.

7.3 Waiver. Any waiver of any breach of any provisions of this Agreement must be in writing to be effective, and it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

7.4 Complete Agreement. This Agreement, Exhibit A, constitutes the entire agreement between- Employee and the Company and it is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter. This Agreement supersedes and replaces the Offer Letter dated on or about June 5, 2008 in its entirety and said Offer Letter shall have no further force or effect. It is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in a writing signed by the Employee and a duly authorized officer of the Company.

7.5 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

7.6 Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

7.7 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Employee and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Employee may not assign any of his duties hereunder and he may not assign any of his rights hereunder without the written consent of the Company, which shall not be withheld unreasonably. The Company shall obtain the assumption of this Agreement by any successor or assign of the Company.

7.8 Choice of Law. All questions concerning the construction, validity and interpretation this Agreement will be governed by the law of the California.

IN WITNESS WHEREOF, the parties have executed this Agreement.

Pacific Ethanol, Inc.

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

Date: 12.19.08

Understood and Agreed:

Employee

By: /s/ Byron McGregor
Byron McGregor

Date: 12/22/08

Pacific Ethanol, Inc.

**FIRST AMENDMENT TO
EMPLOYMENT AGREEMENT
for
Bryan McGregor**

This First Amendment to the Employment Agreement (the "*Amendment*") is hereby entered into by and between Bryon **McGregor** ("*Executive*") and Pacific Ethanol, Inc. (the "*Company*") (collectively, the "*Parties*") is effective as of December 19, 2008, and amends the Employment Agreement between the Parties dated December 19, 2008 (the "*Employment Agreement*").

WHEREAS, the Parties wish to amend the Employment Agreement, in order to come into compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the "*Code*"), and the regulations and other guidance thereunder and any state law of similar effect (collectively "*Section 409A*"), as set forth below.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

AGREEMENT

The Parties, intending to be legally bound, agree as follows effective as of the Effective Date:

1. AMENDMENT OF EMPLOYMENT AGREEMENT

1.1 Section 5.4(b) of the Employment Agreement. The first sentence of Section 5.4(b) of the Employment Agreement is hereby amended to read as follows:

"(b) **Disability**, If Executive is prevented from performing his duties as described in Section 1.1 of this Agreement by reason of any physical or mental incapacity that results in Executive's satisfaction of requirements necessary to receive benefits under the Company's long-term disability plan due to a total disability, then, to the extent by law, the Company may terminate the employment of Executive and this Agreement at or after such time."

1.2 Section 5.6 of the Employment Agreement. Section 5.6 of the Employment Agreement is hereby amended and restated in its entirety as follows:

"5.6 Section 409A Compliance. Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under this Agreement (the "Severance Benefits") that constitute "deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A") shall not commence in connection with Executive's termination of employment unless and until Executive has also incurred a "separation from service" (as such term is defined in Treasury Regulation Section 1.409A-1(h) ("*Separation From Service*")), unless the Company reasonably determines that such amounts may be provided to Executive without causing Executive to incur the additional 20% tax under Section 409A.

It is intended that each installment of the Severance Benefits payments provided for in this Agreement is a separate "payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2)(i). For avoidance of doubt, it is intended that payments of the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation Sections 1.409A-1(h)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9).

If Executive is a "specified employee" within the meaning of 409A(a)(2)(B)(i) of the Code, any Severance Benefit payments that are triggered by a separation from service shall be accelerated to the minimum extent necessary so that (a) the lesser of (y) the total cash severance payment amount, or (z) six (6) months of such installment payments are paid no later than March 15 of the calendar year following such termination, and (b) all amounts paid pursuant to the foregoing clause (a) will constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations and thus will be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations. It is intended that if Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code at the time of such separation from service the foregoing provision shall result in compliance with the requirements of Section 409A(a)(2)(B)(i) of the Code since payments to Executive will either be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations or will not be paid until at least 6 months after separation from service."

2. Miscellaneous Provisions.

2.1 Original Agreement. The Employment Agreement, as amended by this Amendment, shall continue in full force and effect after the date hereof.

2.2 Whole Agreement. No Agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in the Employment Agreement, as amended by this Amendment, have been made or entered into by either party with respect to the subject matter of this Amendment.

2.3 Counterparts. This Amendment may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Amendment.

2.4 Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

2.5 Choice of Law. All questions concerning the construction, validity and interpretation of this Amendment will be governed by the law of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement.

Pacific Ethanol, Inc.

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

Date: 12.19.08

Understood and Agreed:

Employee

By: /s/ Byron McGregor
Byron McGregor

Date: 12/22/08

PACIFIC ETHANOL, INC.
INDEMNITY AGREEMENT

This Indemnity Agreement (this “**Agreement**”) dated as of April 21, 2009, is made by and between **Pacific Ethanol, Inc.**, a Delaware corporation (the “**Company**”), and **Bryon T. McGregor** (“**Indemnitee**”).

Recitals

A. The Company desires to attract and retain the services of highly qualified individuals as directors, officers, employees and agents.

B. The Company’s bylaws (the “**Bylaws**”) require that the Company indemnify its directors, and empowers the Company to indemnify its officers, employees and agents, as authorized by the Delaware General Corporation Law, as amended (the “**Code**”), under which the Company is organized and such Bylaws expressly provide that the indemnification provided therein is not exclusive and contemplates that the Company may enter into separate agreements with its directors, officers and other persons to set forth specific indemnification provisions.

C. Indemnitee does not regard the protection currently provided by applicable law, the Company’s governing documents and available insurance as adequate under the present circumstances, and the Company has determined that Indemnitee and other directors, officers, employees and agents of the Company may not be willing to serve or continue to serve in such capacities without additional protection.

D. The Company desires and has requested Indemnitee to serve or continue to serve as a director, officer, employee or agent of the Company, as the case may be, and has proffered this Agreement to Indemnitee as an additional inducement to serve in such capacity.

E. Indemnitee is willing to serve, or to continue to serve, as a director, officer, employee or agent of the Company, as the case may be, if Indemnitee is furnished the indemnity provided for herein by the Company.

Agreement

Now Therefore, in consideration of the mutual covenants and agreements set forth herein, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

(a) Agent. For purposes of this Agreement, the term “agent” of the Company means any person who: (i) is or was a director, officer, employee or other fiduciary of the Company or a subsidiary of the Company; or (ii) is or was serving at the request or for the convenience of, or representing the interests of, the Company or a subsidiary of the Company, as a director, officer, employee or other fiduciary of a foreign or domestic corporation, partnership, joint venture, trust or other enterprise.

(b) **Expenses.** For purposes of this Agreement, the term “expenses” shall be broadly construed and shall include, without limitation, all direct and indirect costs of any type or nature whatsoever (including, without limitation, all attorneys’, witness, or other professional fees and related disbursements, and other out-of-pocket costs of whatever nature), actually and reasonably incurred by Indemnitee in connection with the investigation, defense or appeal of a proceeding or establishing or enforcing a right to indemnification under this Agreement, the Code or otherwise, and amounts paid in settlement by or on behalf of Indemnitee, but shall not include any judgments, fines or penalties actually levied against Indemnitee for such individual’s violations of law. The term “expenses” shall also include reasonable compensation for time spent by Indemnitee for which he is not compensated by the Company or any subsidiary or third party (i) for any period during which Indemnitee is not an agent, in the employment of, or providing services for compensation to, the Company or any subsidiary; and (ii) if the rate of compensation and estimated time involved is approved by the directors of the Company who are not parties to any action with respect to which expenses are incurred, for Indemnitee while an agent of, employed by, or providing services for compensation to, the Company or any subsidiary.

(c) **Proceedings.** For purposes of this Agreement, the term “proceeding” shall be broadly construed and shall include, without limitation, any threatened, pending, or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, and whether formal or informal in any case, in which Indemnitee was, is or will be involved as a party or otherwise by reason of: (i) the fact that Indemnitee is or was a director or officer of the Company; (ii) the fact that any action taken by Indemnitee or of any action on Indemnitee’s part while acting as director, officer, employee or agent of the Company; or (iii) the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, and in any such case described above, whether or not serving in any such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses may be provided under this Agreement.

(d) **Subsidiary.** For purposes of this Agreement, the term “subsidiary” means any corporation or limited liability company of which more than 50% of the outstanding voting securities or equity interests are owned, directly or indirectly, by the Company and one or more of its subsidiaries, and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary.

(e) **Independent Counsel.** For purposes of this Agreement, the term “independent counsel” means a law firm, or a partner (or, if applicable, member) of such a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five (5) years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to the proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “independent counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

2. Agreement to Serve. Indemnitee will serve, or continue to serve, as a director, officer, employee or agent of the Company or any subsidiary, as the case may be, faithfully and to the best of his or her ability, at the will of such corporation (or under separate agreement, if such agreement exists), in the capacity Indemnitee currently serves as an agent of such corporation, so long as Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the bylaws or other applicable charter documents of such corporation, or until such time as Indemnitee tenders his or her resignation in writing; provided, however, that nothing contained in this Agreement is intended as an employment agreement between Indemnitee and the Company or any of its subsidiaries or to create any right to continued employment of Indemnitee with the Company or any of its subsidiaries in any capacity.

The Company acknowledges that it has entered into this Agreement and assumes the obligations imposed on it hereby, in addition to and separate from its obligations to Indemnitee under the Bylaws, to induce Indemnitee to serve, or continue to serve, as a director, officer, employee or agent of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director, officer, employee or agent of the Company.

3. Indemnification.

(a) Indemnification in Third Party Proceedings. Subject to Section 10 below, the Company shall indemnify Indemnitee to the fullest extent permitted by the Code, as the same may be amended from time to time (but, only to the extent that such amendment permits Indemnitee to broader indemnification rights than the Code permitted prior to adoption of such amendment), if Indemnitee is a party to or threatened to be made a party to or otherwise involved in any proceeding, for any and all expenses, actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of such proceeding.

(b) Indemnification in Derivative Actions and Direct Actions by the Company. Subject to Section 10 below, the Company shall indemnify Indemnitee to the fullest extent permitted by the Code, as the same may be amended from time to time (but, only to the extent that such amendment permits Indemnitee to broader indemnification rights than the Code permitted prior to adoption of such amendment), if Indemnitee is a party to or threatened to be made a party to or otherwise involved in any proceeding by or in the right of the Company to procure a judgment in its favor, against any and all expenses actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement, or appeal of such proceedings.

4. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any proceeding or in defense of any claim, issue or matter therein, including the dismissal of any action without prejudice, the Company shall indemnify Indemnitee against all expenses actually and reasonably incurred in connection with the investigation, defense or appeal of such proceeding.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any expenses actually and reasonably incurred by Indemnitee in the investigation, defense, settlement or appeal of a proceeding, but is precluded by applicable law or the specific terms of this Agreement to indemnification for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

6. Advancement of Expenses. To the extent not prohibited by law, the Company shall advance the expenses incurred by Indemnitee in connection with any proceeding, and such advancement shall be made within twenty (20) days after the receipt by the Company of a statement or statements requesting such advances (which shall include invoices received by Indemnitee in connection with such expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditures made that would cause Indemnitee to waive any privilege accorded by applicable law shall not be included with the invoice) and upon request of the Company, an undertaking to repay the advancement of expenses if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified by the Company. Advances shall be unsecured, interest free and without regard to Indemnitee's ability to repay the expenses. Advances shall include any and all expenses actually and reasonably incurred by Indemnitee pursuing an action to enforce Indemnitee's right to indemnification under this Agreement, or otherwise and this right of advancement, including expenses incurred preparing and forwarding statements to the Company to support the advances claimed. Indemnitee acknowledges that the execution and delivery of this Agreement shall constitute an undertaking providing that Indemnitee shall, to the fullest extent required by law, repay the advance if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified by the Company. The right to advances under this Section shall continue until final disposition of any proceeding, including any appeal therein. This Section 6 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 10(b).

7. Notice and Other Indemnification Procedures.

(a) Notification of Proceeding. Indemnitee will notify the Company in writing promptly upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any proceeding or matter which may be subject to indemnification or advancement of expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise.

(b) Request for Indemnification and Indemnification Payments. Indemnitee shall notify the Company promptly in writing upon receiving notice of any demand, judgment or other requirement for payment that Indemnitee reasonably believes to be subject to indemnification under the terms of this Agreement, and shall request payment thereof by the Company. Indemnification payments requested by Indemnitee under Section 3 hereof shall be made by the Company no later than sixty (60) days after receipt of the written request of Indemnitee. Claims for advancement of expenses shall be made under the provisions of Section 6 herein.

(c) **Application for Enforcement.** In the event the Company fails to make timely payments as set forth in Sections 6 or 7(b) above, Indemnatee shall have the right to apply to any court of competent jurisdiction for the purpose of enforcing Indemnatee's right to indemnification or advancement of expenses pursuant to this Agreement. In such an enforcement hearing or proceeding, the burden of proof shall be on the Company to prove by that indemnification or advancement of expenses to Indemnatee is not required under this Agreement or permitted by applicable law. Any determination by the Company (including its Board of Directors, stockholders or independent counsel) that Indemnatee is not entitled to indemnification hereunder, shall not be a defense by the Company to the action nor create any presumption that Indemnatee is not entitled to indemnification or advancement of expenses hereunder.

(d) **Indemnification of Certain Expenses.** The Company shall indemnify Indemnatee against all expenses incurred in connection with any hearing or proceeding under this Section 7 unless the Company prevails in such hearing or proceeding on the merits in all material respects.

8. **Assumption of Defense.** In the event the Company shall be requested by Indemnatee to pay the expenses of any proceeding, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, or to participate to the extent permissible in such proceeding, with counsel reasonably acceptable to Indemnatee. Upon assumption of the defense by the Company and the retention of such counsel by the Company, the Company shall not be liable to Indemnatee under this Agreement for any fees of counsel subsequently incurred by Indemnatee with respect to the same proceeding, provided that Indemnatee shall have the right to employ separate counsel in such proceeding at Indemnatee's sole cost and expense. Notwithstanding the foregoing, if Indemnatee's counsel delivers a written notice to the Company stating that such counsel has reasonably concluded that there may be a conflict of interest between the Company and Indemnatee in the conduct of any such defense or the Company shall not, in fact, have employed counsel or otherwise actively pursued the defense of such proceeding within a reasonable time, then in any such event the fees and expenses of Indemnatee's counsel to defend such proceeding shall be subject to the indemnification and advancement of expenses provisions of this Agreement.

9. **Insurance.** To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company or of any subsidiary ("D&O Insurance"), Indemnatee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has D&O Insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnatee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

10. Exceptions.

(a) **Certain Matters.** Any provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee on account of any proceeding with respect to (i) remuneration paid to Indemnitee if it is determined by final judgment or other final adjudication that such remuneration was in violation of law (and, in this respect, both the Company and Indemnitee have been advised that the Securities and Exchange Commission believes that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication, as indicated in Section 10(d) below); (ii) a final judgment rendered against Indemnitee for an accounting, disgorgement or repayment of profits made from the purchase or sale by Indemnitee of securities of the Company against Indemnitee or in connection with a settlement by or on behalf of Indemnitee to the extent it is acknowledged by Indemnitee and the Company that such amount paid in settlement resulted from Indemnitee's conduct from which Indemnitee received monetary personal profit, pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or other provisions of any federal, state or local statute or rules and regulations thereunder; (iii) a final judgment or other final adjudication that Indemnitee's conduct was in bad faith, knowingly fraudulent or deliberately dishonest or constituted willful misconduct (but only to the extent of such specific determination); or (iv) on account of conduct that is established by a final judgment as constituting a breach of Indemnitee's duty of loyalty to the Company or resulting in any personal profit or advantage to which Indemnitee is not legally entitled. For purposes of the foregoing sentence, a final judgment or other adjudication may be reached in either the underlying proceeding or action in connection with which indemnification is sought or a separate proceeding or action to establish rights and liabilities under this Agreement.

(b) **Claims Initiated by Indemnitee.** Any provision herein to the contrary notwithstanding, the Company shall not be obligated to indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought by Indemnitee against the Company or its directors, officers, employees or other agents and not by way of defense, except (i) with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or under any other agreement, provision in the Bylaws or Certificate of Incorporation or applicable law, or (ii) with respect to any other proceeding initiated by Indemnitee that is either approved by the Board of Directors or Indemnitee's participation is required by applicable law. However, indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors determines it to be appropriate.

(c) **Unauthorized Settlements.** Any provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee under this Agreement for any amounts paid in settlement of a proceeding effected without the Company's written consent. Neither the Company nor Indemnitee shall unreasonably withhold consent to any proposed settlement; provided, however, that the Company may in any event decline to consent to (or to otherwise admit or agree to any liability for indemnification hereunder in respect of) any proposed settlement if the Company is also a party in such proceeding and determines in good faith that such settlement is not in the best interests of the Company and its stockholders.

(d) **Securities Act Liabilities.** Any provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee or otherwise act in violation of any undertaking appearing in and required by the rules and regulations promulgated under the Securities Act of 1933, as amended (the “Act”), or in any registration statement filed with the SEC under the Act. Indemnitee acknowledges that paragraph (h) of Item 512 of Regulation S-K currently generally requires the Company to undertake in connection with any registration statement filed under the Act to submit the issue of the enforceability of Indemnitee’s rights under this Agreement in connection with any liability under the Act on public policy grounds to a court of appropriate jurisdiction and to be governed by any final adjudication of such issue. Indemnitee specifically agrees that any such undertaking shall supersede the provisions of this Agreement and to be bound by any such undertaking.

11. Nonexclusivity and Survival of Rights. The provisions for indemnification and advancement of expenses set forth in this Agreement shall not be deemed exclusive of any other rights which Indemnitee may at any time be entitled under any provision of applicable law, the Company’s Certificate of Incorporation, Bylaws or other agreements, both as to action in Indemnitee’s official capacity and Indemnitee’s action as an agent of the Company, in any court in which a proceeding is brought, and Indemnitee’s rights hereunder shall continue after Indemnitee has ceased acting as an agent of the Company and shall inure to the benefit of the heirs, executors, administrators and assigns of Indemnitee. The obligations and duties of the Company to Indemnitee under this Agreement shall be binding on the Company and its successors and assigns until terminated in accordance with its terms. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her corporate status prior to such amendment, alteration or repeal. To the extent that a change in the Code, whether by statute or judicial decision, permits greater indemnification or advancement of expenses than would be afforded currently under the Company’s Certificate of Incorporation, Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, by Indemnitee shall not prevent the concurrent assertion or employment of any other right or remedy by Indemnitee.

12. Term. This Agreement shall continue until and terminate upon the later of: (a) five (5) years after the date that Indemnitee shall have ceased to serve as a director or and/or officer, employee or agent of the Company; or (b) one (1) year after the final termination of any proceeding, including any appeal then pending, in respect to which Indemnitee was granted rights of indemnification or advancement of expenses hereunder.

No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against an Indemnitee or an Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of five (5) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such five-year period; provided, however, that if any shorter period of limitations is otherwise applicable to such cause of action, such shorter period shall govern.

13. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who, at the request and expense of the Company, shall execute all papers required and shall do everything that may be reasonably necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

14. Interpretation of Agreement. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to Indemnitee to the fullest extent now or hereafter permitted by law.

15. Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (a) the validity, legality and enforceability of the remaining provisions of the Agreement (including without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to Section 14 hereof.

16. Amendment and Waiver. No supplement, modification, amendment, or cancellation of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

17. Notice. Except as otherwise provided herein, any notice or demand which, by the provisions hereof, is required or which may be given to or served upon the parties hereto shall be in writing and, if by telegram, telecopy or telex, shall be deemed to have been validly served, given or delivered when sent, if by overnight delivery, courier or personal delivery, shall be deemed to have been validly served, given or delivered upon actual delivery and, if mailed, shall be deemed to have been validly served, given or delivered three (3) business days after deposit in the United States mail, as registered or certified mail, with proper postage prepaid and addressed to the party or parties to be notified at the addresses set forth on the signature page of this Agreement (or such other address(es) as a party may designate for itself by like notice). If to the Company, notices and demands shall be delivered to the attention of the Secretary of the Company.

18. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of California, as applied to contracts between California residents entered into and to be performed entirely within California.

19. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute but one and the same Agreement. Only one such counterpart need be produced to evidence the existence of this Agreement.

20. Headings. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

21. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, written and oral, between the parties with respect to the subject matter of this Agreement; provided, however, that this Agreement is a supplement to and in furtherance of the Company's Certificate of Incorporation, Bylaws, the Code and any other applicable law, and shall not be deemed a substitute therefor, and does not diminish or abrogate any rights of Indemnitee thereunder.

In Witness Whereof, the parties hereto have entered into this Agreement effective as of the date first above written.

PACIFIC ETHANOL, INC.

By: /s/ NEIL M. KOEHLER

Neil M. Koehler
President and Chief Executive Officer

INDEMNITEE

/s/ BRYON T. MCGREGOR

Signature of Indemnatee

Bryon T. McGregor

