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)	**May 17, 2009**

PACIFIC ETHANOL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-21467**	**41-2170618**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

400 Capitol Mall, Suite 2060, Sacramento, CA	**95814**
(Address of principal executive offices)	(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 1.01 Entry into a Material Definitive Agreement.

The information set forth in Item 2.03 of this report is incorporated herein by reference.

Amendment and Waiver Agreement dated May 17, 2009 by and between Wachovia Capital Finance Corporation (Western), Kinergy Marketing LLC and Pacific Ethanol, Inc.

On May 17, 2009, Kinergy Marketing LLC ("Kinergy"), a wholly-owned subsidiary of Pacific Ethanol, Inc. (the "Company"), and the Company, entered into an Amendment and Waiver Agreement (the "Amendment") dated May 17, 2009 with Wachovia Capital Finance Corporation (Western) ("Wachovia"). The Amendment relates to a $10.0 million credit facility for Kinergy under a Loan and Security Agreement dated July 28, 2008 by and among Kinergy, the parties thereto from time to time as the Lenders, Wachovia and Wachovia Bank, National Association, as amended by a Letter re: Amendment and Forbearance Agreement dated February 13, 2009, an Amendment No. 1 to Letter re: Amendment and Forbearance Agreement dated as of February 26, 2009 and an Amendment No. 2 to Letter re: Amendment and Forbearance Agreement dated as of March 27, 2009 (collectively, the "Loan Agreement"). Kinergy's credit facility is described in more detail under the heading "Wachovia Loan Transaction" below.

Under the Amendment, Kinergy's monthly unused line fee payable to Wachovia increased from 0.375% to 0.500% of the amount by which the maximum credit under the credit facility exceeds the average daily principal balance. In addition, the Amendment imposes a new $5,000 monthly servicing fee payable to Wachovia. The Amendment also limits most payments that may be made by Kinergy to the Company as reimbursement for management and other services provided by the Company to Kinergy to $600,000 in any three month period and $2,400,000 in any twelve month period. The Amendment amends the definition of "Material Adverse Effect" to exclude the Bankruptcy Filing described below and certain other matters and clarifies that certain events of default do not extend to the Company's subsidiaries that are subject to the Bankruptcy Filing. However, the Amendment further made many events of default that previously were applicable only to Kinergy now applicable to the Company and its subsidiaries except for certain specified subsidiaries including the Company's subsidiaries that filed for bankruptcy protection. Under the Amendment, the term of the credit facility was reduced from three years to a term expiring on October 31, 2010. The Amendment also deleted the early termination fee that would be payable in the event Kinergy terminated the credit facility prior to the conclusion of the term. In addition, the Amendment revised Kinergy's EBITDA covenants. The Amendment also prohibited Kinergy from incurring any additional indebtedness (other than certain intercompany indebtedness) or making any capital expenditures in excess of $100,000 absent Wachovia's prior consent. Further, under the Amendment, Wachovia waived all existing defaults under the Loan Agreement.

The Amendment requires that, on or before May 31, 2009, Wachovia shall have received copies of financing agreements, in form and substance reasonably satisfactory to Wachovia, among the Company and certain of its subsidiaries and Lyles United, LLC ("Lyles"), which agreements shall provide, among other things, for (i) a credit facility available to the Company of up to $2,500,000 over a term of eighteen months (or such shorter term but in no event prior to the maturity date of the Loan Agreement), (ii) the grant by the Company to Lyles of a security interest in substantially all of the Company's assets, including a pledge by the Company to Lyles of the equity interest of the Company in Kinergy, and (iii) the use by the Company of borrowings thereunder for general corporate and other purposes in accordance with the terms thereof.

Kinergy is required to pay an amendment fee of $200,000 to Wachovia. The Amendment also contains other customary representations, warranties, covenants and other obligations.

The description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the Amendment, which is filed as Exhibit 10.1 to this report and incorporated herein by reference.

Wachovia Loan Transaction

Amendment No. 2 to Letter Re: Amendment and Forbearance Agreement dated March 27, 2009 by and among Wachovia Capital Finance Corporation (Western), Kinergy Marketing LLC and Pacific Ethanol Inc.

Amendment No. 1 to Letter Re: Amendment and Forbearance Agreement dated February 26, 2009 by and among Pacific Ethanol, Inc., Kinergy Marketing LLC and Wachovia Capital Finance Corporation (Western)

Amendment and Forbearance Agreement dated February 13, 2009 by and among Pacific Ethanol, Inc., Kinergy Marketing LLC and Wachovia Capital Finance Corporation (Western)

Loan and Security Agreement dated July 28, 2008 by and among Kinergy Marketing LLC, the parties thereto from time to time as the Lenders, Wachovia Capital Finance Corporation (Western) and Wachovia Bank, National Association

Guarantee dated July 28, 2008 by Pacific Ethanol, Inc. in favor of Wachovia Capital Finance Corporation (Western)

A description of Amendment No. 2 to Letter Re: Amendment and Forbearance Agreement is set forth in the Company's Current Report on Form 8-K for March 27, 2009 filed with the Securities and Exchange Commission on April 2, 2009 and such description is incorporated herein by reference.

A description of Amendment No. 1 to Letter Re: Amendment and Forbearance Agreement is set forth in the Company's Current Report on Form 8-K for February 26, 2009 filed with the Securities and Exchange Commission on March 4, 2009 and such description is incorporated herein by reference.

A description of the Amendment and Forbearance Agreement is set forth in the Company's Current Report on Form 8-K for February 13, 2009 filed with the Securities and Exchange Commission on February 20, 2009 and such description is incorporated herein by reference.

Descriptions of the Loan and Security Agreement and the Guarantee are set forth in the Company's Current Report on Form 8-K for July 28, 2008 filed with the Securities and Exchange Commission on August 1, 2008 and such descriptions are incorporated herein by this reference.

Item 1.03. Bankruptcy or Receivership.

On May 17, 2009, five indirect wholly-owned subsidiaries of the Company, namely, Pacific Ethanol Holding Co. LLC, Pacific Ethanol Madera LLC, Pacific Ethanol Columbia, LLC, Pacific Ethanol Stockton, LLC and Pacific Ethanol Magic Valley, LLC (the "Debtors") each commenced a case by filing a voluntary petition for relief (the "Bankruptcy Filing") under chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). A copy of the press release announcing the filing is attached as Exhibit 99.1 to this report and incorporated herein by reference.

Neither the Company, nor any of its direct or indirect subsidiaries other than the Debtors, filed petitions for relief under the Bankruptcy Code.

The Debtors' will seek joint administration by the Bankruptcy Court of their chapter 11 cases (the "Cases"). The Cases are: *In re: Pacific Ethanol Holding Co. LLC*, Chapter 11 Case No. 09-11713; *In re: Pacific Ethanol Stockton LLC*, Chapter 11 Case No. 09-11714; *In re: Pacific Ethanol Columbia, LLC*, Chapter 11 Case No. 09-11715; *In re: Pacific Ethanol Madera LLC*, Chapter 11 Case No. 09-11716; and *In re: Pacific Ethanol Magic Valley, LLC*, Chapter 11 Case No. 09-11717. The Debtors plan to continue to operate their businesses as "debtors-in-possession" under jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and order of the Bankruptcy Court.

As a result of the Bankruptcy Filing, the Debtors will be required to file periodically various documents with, and provide certain information to, the Bankruptcy Court, including statements of financial affairs, schedules of assets and liabilities, monthly operating reports and other financial information. Such materials will be prepared according to requirements of federal bankruptcy law and may in some cases present information on an unconsolidated basis. While they would accurately provide then-current information required under federal bankruptcy law, such materials will contain information that may be unconsolidated and will generally be unaudited and prepared in a format different from that used in the Company's consolidated financial statements filed under the federal securities laws. Accordingly, the Company believes that the substance and format of such materials do not allow meaningful comparison with its regular publicly-disclosed consolidated financial statements. Moreover, the materials filed with the Bankruptcy Court are not prepared for the purpose of providing a basis for an investment decision relating to the Company's or other Debtors' stock or debt or for comparison with other financial information filed with the Securities and Exchange Commission.

Most of the Debtors' filings with the Bankruptcy Court are available to the public at the offices of the Clerk of the Bankruptcy Court or the Bankruptcy Court's web site (http://www.deb.uscourts.gov) or may be obtained through private document retrieval services. The Company undertakes no obligation to make any further public announcement with respect to the documents filed with the Bankruptcy Court or any matters referred to therein. Information contained on, or that can be accessed through, the Bankruptcy Court's web site is not part of this report.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance sheet Arrangement of a Registrant.

Certain of the Debtors' existing lenders (the "DIP Lenders") under that certain Credit Agreement dated as of February 27, 2007 by and among the Debtors and WestLB AG, New York Branch, Amarillo National Bank, the senior secured lenders identified therein and the other parties thereto (the "Credit Agreement") have agreed in principle to a Term Sheet (the "DIP Term Sheet") for a $20 million Debtor-in-Possession Credit Facility with the Debtors. The DIP Term Sheet is filed herewith as Exhibit 10.2 and is incorporated herein by reference. The DIP Term Sheet provides, subject to approval by the Bankruptcy Court and certain other conditions described below and in the DIP Term Sheet, for a first priority debtor-in-possession financing (the "DIP Facility") composed of a term loan facility made available to the Debtors in a maximum aggregate principal amount of up to $20 million. Proceeds of the DIP Facility will be used, among other things, to fund the working capital and general corporate needs of the Debtors and the costs of the chapter 11 Cases in accordance with an approved budget.

The Debtors and the DIP Lenders have negotiated a proposed DIP Credit Agreement. The DIP Facility is subject to the entry of an order by the Bankruptcy Court approving the DIP Facility on terms and conditions acceptable to the DIP Lenders in their sole discretion. In addition, the DIP Facility is subject to the satisfaction of a number of material conditions precedent, including those set forth in the DIP Term Sheet filed herewith and incorporated herein by reference.

Item 2.04. Triggering Events that Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.

The disclosure under Item 1.03 of this report is incorporated herein by reference.

The Bankruptcy Filing constituted an event of default under the Credit Agreement. Obligations of the Debtors in respect of the Credit Agreement are secured by substantially all of the Debtors' assets. Under the terms of the Credit Agreement, upon the Bankruptcy Filing, the outstanding principal amount of, and accrued interest on, the amounts owed under the Credit Agreement became immediately due and payable. As of May 18, 2009, the aggregate principal amount outstanding under the Credit Agreement was approximately $247 million, plus accrued and unpaid interest, fees and other costs.

Item 9.01. Financial Statements and Exhibits.

Exhibit No.	Description
10.1	Amendment and Waiver Agreement dated May 17, 2009 by and between Wachovia Capital Finance Corporation (Western) and Kinergy Marketing LLC (*)
10.2	Debtor in Possession Credit Facility Term Sheet (*)
99.1	Press Release dated May 18, 2009 (*)

* 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: May 18, 2009

PACIFIC ETHANOL, INC.

By: /s/ CHRISTOPHER W. WRIGHT

Christopher W. Wright,
Vice President, General Counsel & Secretary

EXHIBITS FILED WITH THIS REPORT

Number	Description
10.1	Amendment and Waiver Agreement dated May 17, 2009 by and between Wachovia Capital Finance Corporation (Western) and Kinergy Marketing LLC
10.2	Debtor in Possession Credit Facility Term Sheet
99.1	Press Release dated May 18, 2009

KINERGY MARKETING LLC
400 Capitol Mall, Suite 2060
Sacramento, California 95814

May 17, 2009

Wachovia Capital Finance Corporation (Western),
as Agent for and on behalf of the
Lenders as referred to below
251 South Lake Avenue, Suite 900
Pasadena, California 91101

Re: Amendment and Waiver Agreement

Ladies and Gentlemen:

Wachovia Capital Finance Corporation (Western) ("Wachovia"), in its capacity as agent ("Agent") for the Lenders from time to time party to the Loan Agreement referred to below, the Lenders and Kinergy Marketing LLC, an Oregon limited liability company ("Borrower"), have entered into certain financing arrangements pursuant to the Loan and Security Agreement, dated as of July 28, 2008, by and among Agent, Lenders and Borrower (the "Loan Agreement"), and the other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto, including, but not limited to, the Letter re: Amendment and Forbearance Agreement, dated February 13, 2009 (the "Forbearance Agreement"), the Amendment No. 1 to Letter re: Amendment and Forbearance Agreement, dated as of February 26, 2009 (the "Amendment No. 1 to Forbearance Agreement"), the Amendment No. 2 to Letter re: Amendment and Forbearance Agreement, dated as of March 27, 2009 (the "Amendment No. 2 to Forbearance Agreement"), and this Letter re: Amendment and Waiver Agreement (this "Agreement") (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements"). Wachovia is currently both the Agent and the sole Lender under the Loan Agreement and is hereinafter referred to in this Agreement in both such capacities, as "Wachovia".

Borrower and Pacific Ethanol, Inc., a Delaware corporation, as Guarantor ("Parent") have requested that Wachovia (a) waive the Specified Defaults (as defined in the Forbearance Agreement), (b) waive the Event of Default under Section 10.1(a)(i) of the Loan Agreement resulting from the failure of Borrower to maintain EBITDA in the amount required by Section 9.17 for the two (2) consecutive month period ending February 28, 2009, (c) waive the Event of Default under Section 10.1(a)(i) of the Loan Agreement resulting from the failure of Borrower to maintain EBITDA in the amount required by Section 9.17 for the three (3) consecutive month period ending March 31, 2009, (d) waive the Event of Default under Section 10.1(a)(i) of the Loan Agreement resulting from the failure of Borrower to maintain EBITDA in the amount required by Section 9.17 for the four (4) consecutive month period ending April 30, 2009, (e) waive the Event of Default under Section 10.1(a)(i) of the Loan Agreement resulting from the failure of Borrower to deliver certified financial statements of Borrower and its Subsidiaries for the fiscal month ended March 31, 2009 within the time period specified in, and in accordance with, Section 9.6(a)(i), (f) waive the Event of Default under Section 10.1(a)(i) of the Loan Agreement resulting from the failure of Borrower to deliver audited financial statements of Borrower and its Subsidiaries and Parent and its Subsidiaries for the fiscal year ended December 31, 2008 (together with an unqualified opinion of independent certified public accountants with respect thereto) within the time period specified in, and in accordance with, Section 9.6(a)(iii), (g) waive the Events of Default under Section 10.1(a)(i) of the Loan Agreement resulting from various liens filed, and pre-judgment writs of attachment ordered, against Borrower and its assets in connection with the action filed on January 9, 2009 by Western Ethanol Company, LLC against Borrower in the Superior Court of California, County of Orange (the Events of Default identified in clauses (b) through (g) hereof, together with the Specified Defaults, collectively, the "Existing Defaults"), (h) consent to an amendment to the Parent/Borrower Operating Agreement substantially in the form attached hereto as Exhibit A, and (i) make certain amendments to the Loan Agreement and other Financing Agreements as set forth herein, which Wachovia is willing to do subject to the terms and conditions set forth in this Agreement.

In consideration of the foregoing, the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Interpretation. All capitalized terms used in this Agreement shall have the meanings assigned thereto in the Loan Agreement and the other Financing Agreements, unless otherwise defined herein.

2. Amendments to Loan Agreement.

(a) Additional Definitions. As used herein, the following terms shall have the meanings given to them below, and the Loan Agreement and the other Financing Agreements are hereby amended to include, in addition and not in limitation, the following definitions:

> "Agreement and Waiver" shall mean the Letter re: Amendment and Waiver Agreement, dated as of May 17, 2009, by and among Borrower, Parent, Agent and the Lenders, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.
>
> "PE Holding Debtors" shall mean, collectively, Pacific Ethanol Holding Company, LLC and each of its subsidiaries that have commenced, or will commence, a case under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware.
>
> "Western Ethanol Agreement" shall mean the Agreement, dated as of May 14, 2009, by and among Borrower, Agent and Western Ethanol Company, LLC.

(b) EBITDA. The definition of "EBITDA" in Section 1.29 of the Loan Agreement is hereby amended and restated in its entirety as follows:

> "1.29 "EBITDA" shall mean, as to any Person, with respect to any period, an amount equal to: (a) the Consolidated Net Income of such Person and its Subsidiaries for such period, plus (b) depreciation and amortization (including amortization of deferred financing fees), non-cash impairment charges, imputed interest, deferred compensation, non-cash inventory valuation adjustments and bank fees for such period (all to the extent deducted in the computation of Consolidated Net Income of such Person), all in accordance with GAAP, plus (c) Interest Expense for such period (to the extent deducted in the computation of Consolidated Net Income of such Person), plus (d) the Provision for Taxes for such period (to the extent deducted in the computation of Consolidated Net Income of such Person), plus (e) any costs and expenses incurred, and any amounts paid in cash (whether pursuant to settlement or a final order of a court of competent jurisdiction), in connection with any litigation or judgment, to the extent of the amount received by Borrower (whether by contribution or loan) from Parent to finance such costs, expenses and payments."

(c) Material Adverse Effect. The definition of "Material Adverse Effect" in Section 1.73 of the Loan Agreement is hereby amended and restated in its entirety as follows:

> "1.73 "Material Adverse Effect" shall mean any condition, change, effect or circumstance that, individually or when taken together with all such conditions, changes, effects or circumstances, has or would reasonably be expected to have an adverse effect on the financial condition, assets, properties, business, operations or results of operations of the Borrower which is material to the Borrower, excluding (a) any changes or effects that are not unique to the Borrower and do not adversely affect the Borrower disproportionately compared to its competitors, directly resulting from general changes in economic, financial or capital market, regulatory, political or national security conditions (including acts of war or terrorism), (b) any changes in conditions generally applicable to the industries in which the Borrower is involved, (c) any changes that result from the announcement or the consummation of the transactions contemplated hereby, (d) any changes or effects, individually or when taken together with all such changes or effects, that result from or could reasonably be expected to result from the Chapter 11 cases filed, or to be filed, by the PE Holding Debtors, so long as such changes or effects do not, in fact, have an adverse effect on the financial condition, assets, properties, business, operations or results of operations of the Borrower which is material to the Borrower; provided, that, the mere filing by the PE Holding Debtors of the Chapter 11 cases shall not be deemed to have a Material Adverse Effect as to Borrower, (e) any "going concern" or similar qualification to the opinion of Borrower's or Parent's independent certified public accountants with respect to the financial statements of Borrower or Parent, unless such "going concern" or similar qualification to any such opinion relates solely to Borrower (independent of Parent), and (f) any changes or effects that have been disclosed to Agent and Lenders as of the date of the Agreement and Waiver that has or could reasonably be expected to have a material adverse effect on the financial condition, assets, properties, business, operations or results of operations of Borrower (the foregoing exclusion in this clause (f) shall not apply to any changes or effects that have not been disclosed to Agent and Lenders as of the date of the Waiver and Amendment or any changes or affects arising after the date of the Waiver and Amendment)."

(d) Unused Line Fee. Section 3.2(a) of the Loan Agreement is hereby amended and restated in its entirety as follows:

> "(a) Effective as of the date of the Amendment and Waiver, Borrower shall pay to Agent, for the account of Lenders, monthly an unused line fee at a rate equal to one-half of one (0.50%) percent per annum calculated upon the amount by which the Maximum Credit exceeds the average daily principal balance of the outstanding Revolving Loans and Letters of Credit during the immediately preceding month (or part thereof) while this Agreement is in effect and for so long thereafter as any of the Obligations are outstanding, which fee shall be payable on the first day of each month in arrears."

(e) Servicing Fee. Section 3.2 of the Loan Agreement is hereby amended by adding the following new Section 3.2(e) at the end thereof:

> "(e) Effective as of the date of the Amendment and Waiver, Borrower shall pay to Agent, for its own account, a servicing fee in an amount equal to $5,000 per month in respect of the services of Agent for each month (or part thereof) while the Loan Agreement remains in effect and for so long thereafter as any of the Obligations are outstanding. Such fee shall be fully earned as of and payable in advance on the date of the Amendment and Waiver and on the first day of each month thereafter for so long as any of the Obligations are outstanding."

(f) Collateral Reporting. Section 7.1(a)(ii) of the Loan Agreement is hereby amended and restated in its entirety as follows:

> "(ii) within fifteen (15) Business Days after the end of each fiscal month, on a monthly basis or more frequently as Agent may reasonably request: (A) perpetual inventory reports, (B) agings of accounts receivable (together with a reconciliation to the previous month's aging and general ledger), (C) agings of accounts payable (and including information indicating the amounts owing to owners and lessors of leased premises, warehouses, processors and other third parties from time to time in possession of any Collateral) and (D) a schedule of all ethanol purchase and sale contracts or agreements constituting a Material Contract entered into, amended or terminated during the previous month;"

(g) Encumbrances. Section 9.8 of the Loan Agreement is hereby amended by deleting the "and" from the end of clause (i) thereof, replacing the period at the end of clause (j) with "; and" and adding the following new clause (k):

> "(k) liens expressly permitted pursuant to the terms of the Western Ethanol Agreement."

(h) Payments to Parent. Section 9.12(b) of the Loan Agreement is hereby amended and restated in its entirety as follows:

> "(b) make any payments (whether by dividend, loan or otherwise) of management, consulting or other fees for management or similar services, or of any Indebtedness owing to any officer, employee, shareholder, director or any other Affiliate of Borrower, except (i) reasonable compensation to officers, employees and directors of Borrower and its affiliates for any services rendered to Borrower in the ordinary course of business, (ii) payment by Borrower to Parent on the date hereof of an amount not to exceed $6,000,000 on account of intercompany Indebtedness due and owing by Borrower to Parent as of the date hereof, and (iii) payments by Borrower to Parent for those services provided by Parent to Borrower pursuant to the Parent/Borrower Operating Agreement as in effect on the date hereof; provided, that, (A) such payments (other than payments expressly provided for in clause (iii)(B) below) under this clause (iii) shall not exceed $600,000 in the aggregate during any three (3) consecutive month period and $2,400,000 in the aggregate during any twelve (12) consecutive month period, and (B) with respect to any reimbursement payment by Borrower to Parent on account of any margin call due in connection with any hedging position created by Parent for or on behalf of Borrower pursuant to the Parent/Borrower Operating Agreement, Borrower shall have Excess Availability of not less than $1,000,000 after giving effect to such payment.

(i) Event of Default. Section 10.1 of the Loan Agreement is hereby amended as follows:

(i) Section 10.1(d) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(d) (i) any judgment for the payment of money is rendered against Borrower or any Obligor (other than Parent) in excess of $100,000 in any one case or in excess of $250,000 in the aggregate (to the extent not covered by insurance where the insurer has assumed responsibility in writing for such judgment) and shall remain undischarged or unvacated for a period in excess of thirty (30) days or execution shall at any time not be effectively stayed, or any judgment other than for the payment of money, or injunction, attachment, garnishment or execution is rendered against Borrower or any Obligor (other than Parent) or any of the Collateral having a value in excess of $100,000 or (ii) any judgment for the payment of money is rendered against Parent or any of its subsidiaries (other than Borrower, Pacific Ethanol Imperial LLC or the PE Holding Debtors) in excess of $500,000 in any one case or in excess of $1,000,000 in the aggregate (to the extent not covered by insurance where the insurer has assumed responsibility in writing for such judgment) and shall remain undischarged or unvacated for a period in excess of thirty (30) days or execution shall at any time not be effectively stayed, or any judgment other than for the payment of money, or injunction, attachment, garnishment or execution is rendered against Parent or any of its subsidiaries (other than Borrower, Pacific Ethanol Imperial LLC or the PE Holding Debtors) or any of the Collateral having a value in excess of $500,000;"

(ii) Section 10.1(f) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(f) (i) Borrower, Parent, any Obligor or any of their respective subsidiaries (other than Pacific Ethanol Imperial LLC and the PE Holding Debtors) makes an assignment for the benefit of creditors or makes or sends notice of a bulk transfer, (ii) Borrower or any Obligor (other than Parent) calls a meeting of its creditors or principal creditors in connection with a moratorium or adjustment of the Indebtedness due to them, or (iii) from and after the date of the Amendment and Waiver, Parent or any of its subsidiaries (other than Borrower, any Obligor, Pacific Ethanol Imperial LLC or the PE Holding Debtors) calls a meeting of its creditors or principal creditors in connection with a moratorium or adjustment of the Indebtedness due to them."

(iii) Section 10.1(g) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(g) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed against Borrower, Parent, any Obligor or any of their respective subsidiaries (other than the PE Holding Debtors) or all or any part of its properties (other than with respect to any interest in the PE Holding Debtors) and such petition or application is not dismissed within forty-five (45) days after the date of its filing, or Borrower, Parent, any Obligor or any of their respective subsidiaries (other than the PE Holding Debtors) shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;"

(iv) Section 10.1(h) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(h) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed by Borrower, Parent, any Obligor or any of their respective subsidiaries (other than the PE Holding Debtors) or for all or any part of its property (other than with respect to any interest in the PE Holding Debtors);"

(v) Section 10.1(i) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(i) (i) any default in respect of any Indebtedness of Borrower or any Obligor (other than Parent) (other than Indebtedness owing to Agent and Lenders hereunder), in any case in an amount in excess of $100,000, which default continues for more than the applicable cure period, if any, with respect thereto or any default by Borrower or any Obligor (other than Parent) under any Material Contract, which default continues for more than the applicable cure period, if any, with respect thereto and/or is not waived in writing by the other parties thereto or (ii) any default in respect of any Indebtedness of Parent or any of its subsidiaries (other than Borrower and the PE Holding Debtors) (other than in connection with the Master Lease Agreement, dated June 9, 2008, between Parent and Varilease Finance, Inc.), in any case in an amount in excess of $500,000, which default continues for more than the applicable cure period, if any, with respect thereto or any default by Parent or any of its subsidiaries (other than Borrower) under any material contract, which default continues for more than the applicable cure period, if any, with respect thereto and/or is not waived in writing by the other parties thereto;"

(vi) Section 10.1(m) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(m) the indictment by any Governmental Authority, or as Agent may reasonably determine, the threatened indictment by any Governmental Authority of Borrower, Parent, any Obligor or any of their respective subsidiaries (other than the PE Holding Debtors) of which Borrower, Parent, any Obligor, any of their respective subsidiaries (other than the PE Holding Debtors) or Agent receives notice, in either case, as to which there is a reasonable possibility of an adverse determination, in the reasonable determination of Agent, under any criminal statute, or commencement or threatened commencement of criminal or civil proceedings against Borrower, Parent, any Obligor or any of their respective subsidiaries (other than the PE Holding Debtors), pursuant to which statute or proceedings the penalties or remedies sought or available include forfeiture of (i) any of the Collateral having a value in excess of $250,000 or (ii) any other property of Borrower, Parent, any Obligor or any of their respective subsidiaries (other than the PE Holding Debtors) which is necessary or material to the conduct of its business (other than with respect to any interest in the PE Holding Debtors);"

(vii) Section 10.1(o) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(o) there shall have occurred a Material Adverse Effect as to Borrower, Parent, any Obligor or any of their respective subsidiaries (other than the PE Holding Debtors); or"

(j) Maturity Date. Section 13.1(a) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(a) This Agreement and the other Financing Agreements shall become effective as of the date set forth on the first page hereof and shall continue in full force and effect until October 31, 2010 (the "Maturity Date"), unless sooner terminated pursuant to the terms hereof. Borrower may terminate this Agreement at any time upon ten (10) days prior written notice to Agent (which notice shall be irrevocable) and Agent may, at its option, and shall at the direction of Required Lenders, terminate this Agreement at any time on or after an Event of Default has occurred and is continuing. Upon the Maturity Date or any other effective date of termination of the Financing Agreements, Borrower shall pay to Agent all outstanding and unpaid Obligations and shall furnish cash collateral to Agent (or at Agent's option, a letter of credit issued for the account of Borrower and at Borrower's expense, in form and substance satisfactory to Agent, by an issuer acceptable to Agent and payable to Agent as beneficiary) in such amounts as Agent determines are reasonably necessary to secure Agent, Lenders and Issuing Bank from loss, cost, damage or expense, including attorneys' fees and expenses, in connection with any contingent Obligations, including issued and outstanding Letter of Credit Obligations and checks or other payments provisionally credited to the Obligations and/or as to which Agent or any Lender has not yet received final and indefeasible payment and any continuing obligations of Agent or any Lender pursuant to any Deposit Account Control Agreement and for any of the Obligations arising under or in connection with any Bank Products in such amounts as the Bank Product Provider providing such Bank Products may require (unless such Obligations arising under or in connection with any Bank Products are paid in full in cash and terminated in a manner satisfactory to such Bank Product Provider). The amount of such cash collateral (or letter of credit, as Agent may determine) as to any Letter of Credit Obligations shall be in the amount equal to one hundred five (105%) percent of the amount of the Letter of Credit Obligations plus the amount of any fees and expenses payable in connection therewith through the end of the latest expiration date of the Letters of Credit giving rise to such Letter of Credit Obligations. Such payments in respect of the Obligations and cash collateral shall be remitted by wire transfer in Federal funds to the Agent Payment Account or such other bank account of Agent, as Agent may, in its discretion, designate in writing to Borrower for such purpose. Interest shall be due until and including the next Business Day, if the amounts so paid by Borrower to the Agent Payment Account or other bank account designated by Agent are received in such bank account later than 12:00 noon, Los Angeles, California time."

(k) Early Termination Fee. Section 13.1(c) of the Loan Agreement is hereby deleted in its entirety.

(l) Schedule 9.17. Schedule 9.17 to the Loan Agreement is hereby amended and restated in its entirety as set forth on Exhibit B attached hereto.

(m) No Additional Indebtedness. From and after the date of this Agreement, notwithstanding anything to the contrary contained in the Loan Agreement or otherwise, Borrower shall not incur any additional Indebtedness, except for (i) Indebtedness expressly permitted under Section 9.9(e) of the Loan Agreement and (ii) unsecured Indebtedness to Parent in connection with any loan made by Parent to Borrower to finance the payment by Borrower of costs and expenses incurred, and any amounts paid in cash (whether pursuant to settlement or a final order of a court of competent jurisdiction), in connection with any litigation or judgment; provided, that, with respect to such unsecured Indebtedness to Parent, Borrower shall not repay or make any other payment on account of such unsecured Indebtedness without the prior written consent of Agent.

(n) Limitation on Capital Expenditures. From and after the date of this Agreement, notwithstanding anything to the contrary contained in the Loan Agreement or otherwise, Borrower shall not make nor contract for any Capital Expenditures in excess of $100,000 during any twelve (12) consecutive month period without the prior written consent of Agent.

3. Waiver of Existing Defaults.

(a) Pursuant to Borrower's request, subject to the terms and conditions contained herein, Wachovia hereby waives the Existing Defaults.

(b) Wachovia has not waived and is not by this agreement waiving, and has no present intention of waiving, any Default or Event of Default other than the Existing Defaults, which may have occurred prior to the date hereof, or may be continuing on the date hereof or any Event of Default which may occur after the date hereof, other than the Existing Defaults, whether the same or similar to the Existing Defaults or otherwise. Wachovia reserves the right, in its discretion, to exercise any or all of its rights and remedies arising under the Financing Agreements, applicable law or otherwise, as a result of any other Events of Default which may have occurred prior to the date hereof, or are continuing on the date hereof, or any Event of Default which may occur after the date hereof, whether the same or similar to the Existing Defaults or otherwise upon or after the rescission and termination of the waiver provided for in Section 3(a) above. Nothing contained herein shall be construed as a waiver of the failure of Borrower to comply with the terms of the Loan Agreement and the other Financing Agreements after such time.

4. Consent to Amendment to Parent/Borrower Operating Agreement.

Pursuant to Borrower's request, subject to the terms and conditions contained herein, Wachovia hereby consents to the amendment to the Parent/Borrower Operating Agreement substantially in the form attached hereto as Exhibit A.

5. Acknowledgment of Obligations, Security Interests and Financing Agreements.

(a) Acknowledgment of Obligations. Borrower and Parent hereby acknowledge, confirm and agree that Borrower is unconditionally indebted to Wachovia as of the close of business on May 15, 2009, in respect of the Loans and all other Obligations in the aggregate principal amount of not less than $5,143,868.42, together with interest accrued and accruing thereon, and all fees, costs, expenses and other sums and charges now or hereafter payable by Borrower to Wachovia pursuant to the Loan Agreement and the other Financing Agreements, all of which are unconditionally owing by Borrower to Wachovia pursuant to the Financing Agreements, in each case without offset, defense or counterclaim of any kind, nature or description whatsoever.

(b) Acknowledgment of Security Interests. Borrower and Parent hereby acknowledge, confirm and agree that Wachovia has, and shall continue to have, valid, enforceable and perfected security interests in and liens upon the Collateral heretofore granted by Borrower to Wachovia pursuant to the Financing Agreements or otherwise granted to or held by Wachovia.

(c) Binding Effect of Financing Agreements. Borrower and Parent hereby acknowledge, confirm and agree that: (i) each of the Financing Agreements to which Borrower and Parent (as applicable) are a party has been duly executed and delivered to Wachovia by Borrower and Parent (as applicable), and each is in full force and effect as of the date hereof, (ii) the agreements and obligations of Borrower and Parent (as applicable) contained in such Financing Agreements to which they are a party and in this Agreement constitute the legal, valid and binding Obligations of Borrower and Parent (as applicable), enforceable against them in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and Borrower and Parent (as applicable) have no valid defense to the enforcement of such Obligations, and (iii) Wachovia is and shall be entitled to the rights, remedies and benefits provided for in the Financing Agreements and pursuant to applicable law, but subject to the terms and conditions of this Agreement.

6. Representations, Warranties and Covenants.

Borrower and Parent hereby represent, warrant and covenant to Wachovia the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the making of Loans to Borrower:

(a) this Agreement and each other agreement or instrument to be executed and/or delivered in connection herewith (collectively, together with this Agreement, the "Amendment Documents") have been duly authorized, executed and delivered by all necessary action on the part of Borrower and Parent and, if necessary, their respective stockholders and/or members, as the case may be, and the agreements and obligations of Borrower and Parent contained herein and therein constitute the legal, valid and binding obligations of Borrower and Parent, enforceable against them in accordance with their terms, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought;

(b) the execution, delivery and performance of the Amendment Documents (a) are all within Borrower's and Guarantor's corporate or limited liability company powers (as applicable), (b) are not in contravention of law or the terms of Borrower's or Guarantor's certificate or articles of organization or formation, operating agreement, by-laws or other organizational documentation, or any indenture, agreement or undertaking to which Borrower or Guarantor is a party or by which Borrower, Guarantor or its or their property is bound and (c) shall not result in the creation or imposition of any lien, claim, charge or encumbrance upon any of the Collateral, except in favor of Wachovia pursuant to the Loan Agreement and the Financing Agreements as amended hereby;

(c) all of the representations and warranties set forth in the Loan Agreement and the other Financing Agreements, each as amended hereby, are true and correct in all material respects on and as of the date hereof, as if made on the date hereof, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct as of such date;

(d) after giving effect to this Agreement, no Default or Event of Default exists as of the date of this Agreement;

(e) no action of, or filing with, or consent of any governmental or public body or authority, including, without limitation, any filing with the U.S. Patent and Trademark Office, and no approval or consent of any other party, is required to authorize, or is otherwise required in connection with, the execution, delivery and performance of this Agreement;

(f) Borrower shall not amend or otherwise modify that certain Ethanol Marketing Agreement (Boardman Project), dated as of February 27, 2007, between Borrower and Pacific Ethanol Columbia LLC, as in effect on the date hereof; and

(i) on or before May 31, 2009, Wachovia shall have received copies of the financing agreements, in form and substance reasonably satisfactory to Wachovia, among Parent, certain of its subsidiaries and Lyles United, LLC ("Lyles"), which agreements shall provide, among other things, for (A) a credit facility available to Parent of up to $2,500,000 over a term of eighteen (18) months (or such shorter term but in no event prior to the Maturity Date of the Loan Agreement (as amended hereby)), (B) the grant by Parent to Lyles of a security interest in substantially all of Parent's assets, including a pledge by Parent to Lyles of the equity interest of Parent in Borrower, and (C) the use by Parent of borrowings thereunder for general corporate and other purposes in accordance with the terms thereof.

7. Conditions Precedent.

This Agreement shall not become effective unless all of the following conditions precedent have been satisfied in full, as determined by Wachovia:

(i) the receipt by Wachovia of an original (or faxed or electronic copy) of this Agreement, duly authorized, executed and delivered by Borrower and Parent;

(ii) the receipt by Wachovia of a copy of that certain Asset Management Agreement, dated on or about the date hereof, by and among Parent and the PE Holding Debtors, which agreement shall be in form and substance reasonably satisfactory to Wachovia and shall provide that Parent will provide various management services to the PE Holding Debtors during and in connection with the Chapter 11 cases to be filed by the PE Holding Debtors; and

(iii) no Default or Event of Default shall exist or have occurred (after giving effect to the waivers and amendments made by Wachovia pursuant to this Agreement).

Notwithstanding anything to the contrary herein, the documents and agreements delivered to Wachovia pursuant to clauses (ii), (iii) and (iv) of this Section 6 shall not be deemed to be "Financing Agreements" under the Loan Agreement.

8. Amendment Fee.

In addition to all other fees, charges, interest and expenses payable by Borrower to Wachovia under the Loan Agreement and the other Financing Agreements, Borrower shall pay to Wachovia an amendment and waiver fee in the amount of $200,000, which fee shall be fully earned as of and payable in advance on the date hereof. The foregoing fee may be charged to any loan account of Borrower maintained by Wachovia.

9. Effect of this Agreement.

Except as modified pursuant hereto, no other changes or modifications to the Loan Agreement and the other Financing Agreements are intended or implied and in all other respects the Loan Agreement and the other Financing Agreements are hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date hereof. To the extent of any conflict between the terms of this Agreement and the Loan Agreement or any of the other Financing Agreements, the terms of this Agreement shall control. The Loan Agreement and this Agreement shall be read and construed as one agreement.

10. Further Assurances.

At Wachovia's request, Borrower and Parent shall execute and deliver such additional documents and take such additional actions as Wachovia requests to effectuate the provisions and purposes of this Agreement and to protect and/or maintain perfection of Wachovia's security interests in and liens upon the Collateral.

11. Governing Law.

The validity, interpretation and enforcement of this Agreement in any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise shall be governed by the internal laws of the State of California (without giving effect to principles of conflicts of law).

12. Binding Effect.

This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns

13. Counterparts.

This Agreement may be executed in any number of counterparts, but all of such counterparts when executed shall together constitute one and the same Agreement. In making proof of this Agreement, it shall not be necessary to produce or account for more than one counterpart thereof signed by each of the parties hereto.

[SIGNATURE PAGE FOLLOWS]

Very truly yours,

KINERGY MARKETING LLC,
as Borrower

By: /s/ BRYON MCGREGOR
Name: Bryon McGregor
Title: Interim CFO

PACIFIC ETHANOL, INC,
as Parent

By: /s/ BRYON MCGREGOR
Name: Bryon McGregor
Title: Interim CFO

AGREED TO:

WACHOVIA CAPITAL FINANCE CORPORATION (WESTERN),
as Agent and sole Lender

By: /s/ CARLOS VALLES
Name: Carlos Valles
Title: Director

EXHIBIT A
TO
LETTER RE: AMENDMENT AND WAIVER

Amendment to Parent/Borrower Operating Agreement

[see attached]

EXHIBIT B
TO
LETTER RE: AMENDMENT AND WAIVER

Schedule 9.17
to
LOAN AND SECURITY AGREEMENT

Minimum EBITDA

Fiscal Period	Minimum EBITDA
one (1) month period ending May 31, 2009	No Test
two (2) consecutive month period ending June 30, 2009	No Test
three (3) consecutive month period ending July 31, 2009	$0
four (4) consecutive month period ending August 31, 2009	$30,000
five (5) consecutive month period ending September 30, 2009	$80,000
six (6) consecutive month period ending October 31, 2009	$130,000
seven (7) consecutive month period ending November 30, 2009	$180,000
eight (8) consecutive month period ending December 31, 2009	$230,000
one (1) month period ending January 31, 2010	$50,000
two (2) consecutive month period ending February 28, 2010	$100,000
three (3) consecutive month period ending March 31, 2010	$150,000
four (4) consecutive month period ending April 30, 2010	$200,000
five (5) consecutive month period ending May 31, 2010	$250,000
six (6) consecutive month period ending June 30, 2010	$325,000
seven (7) consecutive month period ending July 31, 2010	$400,000
eight (8) consecutive month period ending August 31, 2010	$475,000
nine (9) consecutive month period ending September 30, 2010	$550,000
ten (10) consecutive month period ending October 31, 2010	$625,000

CONFIDENTIAL - - FOR DISCUSSION PURPOSES ONLY– NOT A COMMITMENT TO LEND

TERM SHEET

Pacific Ethanol Holding Co. LLC and its debtor affiliates

Debtor-in-Possession Credit Facility

The terms and conditions summarized below are intended as a summary outline of a financing commitment which is conditioned in all respects upon completion of due diligence, negotiation of definitive documentation and final credit approval and do not purport to summarize all of the conditions, covenants, representations, warranties and other provisions which would be contained in definitive documentation.[1] *No DIP Lender (as defined herein) is under any obligation to make a loan or make any commitment to lend and any such commitment would be subject to, among other conditions, such DIP Lender obtaining any necessary authorizations and approvals and negotiation and execution of definitive documentation in form and substance satisfactory to such DIP Lender. This document is delivered to you with the understanding that neither it nor its substance shall be disclosed to any third party. Any provision of financial accommodations under such debtor-in-possession credit facility shall be further subject to the terms and conditions and Bankruptcy Court approval as set forth below.*

Capitalized terms not defined herein shall have the meaning ascribed to such terms in the Credit Agreement dated as of February 27, 2007 (as amended, supplemented or otherwise modified from time to time, the "Prepetition Credit Agreement"), among Pacific Ethanol Holding Co. LLC ("Holding"), Pacific Ethanol Madera LLC ("Madera"), Pacific Ethanol Columbia, LLC ("Columbia"), Pacific Ethanol Stockton, LLC ("Stockton"), Pacific Ethanol Magic Valley, LLC ("Magic Valley"), WestLB AG, New York Branch ("WestLB"), as administrative agent and collateral agent (collectively, the "Prepetition Agent"), Amarillo National Bank, as accounts bank ("Accounts Bank"), and the lenders signatory thereto (the "Prepetition Lenders").

I. **General Terms**

Borrowers:	Holding, Columbia, Madera, Stockton and Magic Valley, each of which will be a debtor and debtor-in-possession (in such capacity, each a "Borrower" and collectively, the "Borrowers") in cases to be commenced in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") under chapter 11 ("Chapter 11") of Title 11 of the United States Code (the "Bankruptcy Code") The cases of the Borrowers are each referred to as a "Chapter 11 Case" and are collectively referred to as the "Chapter 11 Cases", and the date the cases are commenced is referred to as the "Petition Date". The obligations of the Borrowers under the DIP Facilities shall be joint and several.
DIP Lender(s):	WestLB and together with any person who shall become a lender under the DIP Facility (collectively with WestLB, the "DIP Lenders").
DIP Agent:	WestLB, in such capacity as DIP Agent.
DIP Facility:	The total senior secured first priority DIP facility (the "DIP Facility") shall include: (x) Loans to be advanced and made available to the Borrowers (the "Advances") under a revolving credit facility (the "DIP Revolving Loans") in the aggregate maximum principal amount of $20.0 million (the "Revolving Commitment") and (y) a 1:50:1.00 conversion of $30.0 million (the "Roll-Up Amount" and together with the Revolving Commitment, the "DIP Commitment") in respect of outstanding term loans under the Prepetition Credit Facility beneficially owned by the DIP Lenders (or an affiliate) at the Closing Date (the "Roll-Up Loans"). The Roll-Up Amount will be calculated on a basis of one and one-half dollars of Roll-Up Loans for each dollar of DIP Revolving Loans provided by the DIP Lenders.

[1] Note that to the extent the terms of a consensual restructuring of the Borrowers are agreed upon among the parties, the terms herein may be subject to modification.

An amount of approximately $10.0 million (the "Interim Advance") of DIP Revolving Loans, approved by the Bankruptcy Court in the interim order (the "Interim Order") and acceptable to the DIP Agent and the DIP Lenders, shall be made available during the period from the date of entry of the Interim Order by the Bankruptcy Court through the date of entry of the final order (the "Final Order" and together with the Interim Order, the "DIP Orders") by the Bankruptcy Court approving the DIP Facility and the balance of which Revolving Commitments shall be available after entry of the Final Order. Approximately $15.0 million of Roll-Up Loans shall convert concurrently with the funding of the Interim Advance. Pending the entry of the Final Order, the DIP Agent and the DIP Lenders shall be afforded all of the protections contained in the Interim Order, which order shall be in a form and substance in all respects acceptable to the DIP Agent and the DIP Lenders.

The DIP Commitment of each DIP Lender as of the entry date of the Interim Order will be set forth on Annex I hereto.

Use of Proceeds:

To fund (i) operating expenses, limited capital expenditures and other amounts for general corporate and ordinary course purposes of the Borrowers, all in accordance with the DIP Budget (as defined below), (ii) current interest and fees on the DIP Facility, and (iii) such other administrative payments, including the budgeted professional fees, as may be authorized and approved by the DIP Agent and the DIP Lenders under the DIP Orders or subsequent order of the Bankruptcy Court.

No portion of the DIP Facility, the DIP Collateral (as defined below), including any cash collateral, or the Carve-Out (as defined below) is to be used to (i) challenge the validity, perfection, priority, extent or enforceability of the DIP Facility, the obligations under the Prepetition Credit Agreement (the "Prepetition Obligations"), or the liens on or security interests in the assets of the Borrowers securing the DIP Facility or the Prepetition Obligations or (ii) assert any other claims against the DIP Agent, the DIP Lenders, the Prepetition Lenders, or the Prepetition Agent; provided, however, nothing herein shall be deemed to limit the use of the Advances in respect of any determination under Section 506(a) of the Bankruptcy Code (a "Section 506(a) Determination").

Operating Budget:

The operating budget, subject to the approval of the DIP Agent and the DIP Lenders, to consist of the Borrowers' estimated projected cash flow position on a rolling 13-week basis (the "DIP Budget"), commencing as of the Closing Date (as defined below). Upon approval of DIP Agent and the DIP Lenders of the DIP Budget, any subsequent changes to the DIP Budget may be made only on approval of the DIP Agent and DIP Lenders holding a majority of the outstanding DIP Revolving Loans and DIP Commitments (the "Required DIP Lenders"). The Borrowers will be allowed a 10% variance on the aggregate amounts set forth in the DIP Budget, measured on a rolling four-week basis. DIP Budget shall include monthly reimbursement of the reasonable fees and expenses of the professionals of DIP Agent and DIP Lenders and the Prepetition Agent.

Maturity:

The Borrowers shall repay any outstanding advances and loans under the DIP Facility in full in immediately available funds on the Maturity Date, to be defined as the earliest of (i) six (6) months after the Closing Date; (ii) the date of acceleration of any outstanding Extensions of Credit (as defined below) under the DIP Facility; (iii) the first business day on which the Interim Order expires by its terms or is terminated, unless the Final Order shall have been entered and become effective prior thereto; (iv) conversion of any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code ("Chapter 7") unless otherwise consented to in writing by the DIP Agent and the DIP Lenders; (v) dismissal of any of the Chapter 11 Cases unless otherwise consented to in writing by the DIP Agent and the DIP Lenders; and (vi) the effective date of any Borrower's plan of reorganization confirmed in the Chapter 11 Cases.

Interest:

Interest shall be payable monthly in arrears in cash on the outstanding amount of the DIP Revolving Loans on the first business day of each month at a rate equal to LIBOR + 10 % per annum. LIBOR shall be defined as the greater of (i) 4% per annum and (ii) the offered rate on the applicable page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Rate Settlement Rate for deposits in U.S. Dollars and shall contain appropriate protection to ensure that such rate is not less than a DIP Lender's cost of funds.

Interest on the Roll-Up Loans shall accrue interest at the predefault rate applicable to the base rate term loans under the Prepetition Credit Agreement.

Default Interest: Upon the occurrence and during the continuance of any event of default under the DIP Facility and at the election of the DIP Lenders, interest to be payable on all outstanding principal or any other obligation under the DIP Facility at 2.0% above the then applicable interest rate.

Closing Date: A date on or before May 22, 2009 upon which all Conditions Precedent have been satisfied (the "Closing Date").

Facility Fee: A fee of 2.0% of the Revolving Commitment payable to the DIP Lenders on the Closing Date.

Structuring Fee: A fee of 1.0% of the Revolving Commitment payable to the DIP Agent on the Closing Date.

Unused Commitment Fee: A fee on the unused portion of the Revolving Commitment of 2.0% per annum, payable monthly.

II. **Additional Terms**

Mandatory Prepayments: Mandatory prepayments (including but not limited to net proceeds from Section 363 asset sales of the Borrowers' assets outside of the ordinary course of business, if any, approved by the DIP Agent and the DIP Lenders and authorized by the Bankruptcy Court and insurance proceeds received by any Borrower as a result of any casualty event) shall be used to prepay all amounts outstanding under the DIP Facility. Unless agreed to otherwise by the DIP Lenders, prepayments of principal outstanding under the DIP Facility shall permanently reduce the DIP Commitment.

Mandatory prepayments shall be applied, first to the payment of all costs, fees, expenses and indemnities then due and payable to the DIP Lenders (including attorney's and professional's fees); second, to the payment of any accrued and unpaid interest due and payable on the DIP Revolving Loans *pro rata* among the DIP Lenders (other than any DIP Lender that has defaulted on its obligations to advance DIP Revolving Loans (a "Defaulting Lender")) with respect to their respective outstanding principal amounts; third, to the repayment of principal of DIP Revolving Loans (and permanent reduction of the Revolving Commitments associated therewith) *pro rata* among the DIP Lenders (other than the Defaulting Lenders) with respect to their respective outstanding principal amounts until repaid in full; fourth, to the payment of all accrued and unpaid interest then due and payable on the DIP Revolving Loans *pro rata* among the Defaulting Lenders based on their respective outstanding principal amounts on the date of such prepayment; fifth, to the payment of principal of DIP Revolving Loans *pro rata* among the Defaulting Lenders based on their respective outstanding principal amounts on the date of such prepayment; sixth, to the payment of all accrued and unpaid interest due and payable on the Roll-Up Loans pro rata among the DIP Lenders (other than the Defaulting Lenders); seventh, to the payment of the principal of the Roll-Up Loans *pro rata* among the DIP Lenders (other than the Defaulting Lenders) based on their respective outstanding principal amounts on the date of such prepayment and a corresponding reduction in the Roll-Up Loan Commitment; eighth, to the payment of all accrued and unpaid interest then due and payable on the Roll-Up Loans *pro rata* among the Defaulting Lenders based on their respective outstanding principal amounts on the date of such prepayment; and ninth, to the payment of principal of the Roll-Up Loans *pro rata* among the Defaulting Lenders based on their respective outstanding principal amounts on the date of such prepayment.

Security:

All obligations of Borrowers under and with respect to the DIP Facility (the "DIP Obligations") to enjoy superpriority administrative expense status under Section 364(c)(1) with priority over all other costs and expenses of the kinds specified in, or ordered pursuant to, Sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 726, 1113, 1114 or any other provisions of the Bankruptcy Code, subject to the Carve-Out.

To secure all of the DIP Obligations, DIP Agent, for the benefit of the DIP Lenders, to receive, pursuant to Sections 364(c)(2), 364(c)(3) and 364(d)(1) of the Bankruptcy Code, the DIP Orders and the definitive DIP Facility loan documents, valid, enforceable, and fully perfected security interests in and liens upon all prepetition and postpetition assets of the Borrowers, whether now existing or hereafter acquired or arising (collectively, the "DIP Collateral"), which liens shall have the priority set forth below. DIP Collateral to include all rights, claims and other causes of action of each Borrower's estate and any other avoidance actions under Chapter 5 of the Bankruptcy Code and the proceeds thereof and property received thereby whether by judgment, settlement or otherwise (collectively, "Avoidance Actions").

"DIP Collateral" shall also include any and all rents, issues, products, offspring, proceeds and profits generated by any item of DIP Collateral, without the necessity of any further action of any kind or nature by the DIP Lenders or the DIP Agent in order to claim or perfect such rents, issues, products, offspring, proceeds and/or profits.

Liens and security interests with respect to DIP Collateral (the "DIP Liens") not to be subject to challenge and to attach and become valid and perfected upon entry of the Interim Order without the requirement of any further action by DIP Agent or DIP Lenders. DIP Collateral to be free and clear of other liens, claims and encumbrances, except valid, perfected, enforceable and unavoidable liens in existence as of the petition date, if any, and any other Permitted Liens (as defined in the Prepetition Credit Agreement).

The DIP Liens granted to the DIP Lenders with respect to the Roll-Up Loans will be *pari passu* (on a pro rata basis) to the DIP Liens granted to the DIP Lenders with respect to the DIP Revolving Loans.

As used in this Term Sheet, the term "Carve-Out" shall mean the sum of (i) the aggregate amount of any budgeted, accrued but unpaid, professional fees and expenses existing as of the Carve-Out Date (as defined below) of the Borrowers and of the Committee, which fees and expenses are approved by the Bankruptcy Court and in compliance with the DIP Budget, plus (ii) those professional fees and expenses of the Borrowers and the Committee incurred after the Carve-Out Date and subsequently allowed by the Bankruptcy Court and in compliance with the DIP Budget in an amount not to exceed $250,000 in the aggregate, plus (iii) all fees required to be paid to the Clerk of the Bankruptcy Court and to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930. Prior to the Carve-Out Date, subject to entry of an appropriate order of the Bankruptcy Court (in form and substance acceptable to the DIP Agent and the DIP Lenders), the Borrowers shall be permitted to use Advances under the DIP Facility to pay compensation and reimbursement of expenses allowed and payable under sections 330 and 331 of the Bankruptcy Code in accordance with the DIP Budget, and the Carve-Out shall not be reduced by the amount of any compensation and reimbursement of expenses paid or incurred (to the extent ultimately allowed by the Bankruptcy Court) prior to the occurrence of the Carve-Out Date; provided, further that following the Carve-Out Date, any amounts paid to professionals by any means will reduce the Carve-Out on a dollar-for-dollar basis; and provided, further, that nothing herein shall be construed to impair the ability of any party to object to any of the fees, expenses, reimbursement, or compensation sought by the professionals retained by the Borrowers or any statutory committee in the Chapter 11 Cases.

"Carve-Out Date" means the date that is the earlier of any Borrower's receipt of a notice of default under the DIP Facility or the Maturity Date.

Neither the Advances under the DIP Facility nor the Carve-Out may be used to challenge the amount, validity, perfection, priority or enforceability of, or assert any defense, counterclaim or offset to the DIP Facility or the Prepetition Credit Agreement, or the security interests and liens securing the DIP Obligations or the Prepetition Obligations with respect thereto or otherwise to litigate against the DIP Agent, the DIP Lenders, the Prepetition Agent or the Prepetition Lenders; provided, however, the foregoing shall not apply to any Advances or Carve-Out that are used for purposes of seeking a Section 506(a) Determination. Notwithstanding the foregoing, the Committee may spend up to an aggregate maximum of $15,000 under the DIP Facility and the Carve-Out to investigate potential claims arising out of, or in connection with, the Prepetition Credit Agreement or the security interests and liens securing the Prepetition Obligations.

Special Provisions for Roll-Up Loans:

The Roll-Up Loans may not be required to be repaid in cash on the Maturity Date. Any repayment of a DIP Revolving Loan will not reduce the amount of outstanding Roll-Up Loans. Upon the vote of the Roll-Up Loan class to accept a Chapter 11 Plan in accordance with section 1126 of the Bankruptcy Code, the Borrowers' plan of reorganization may require that Roll-Up Loans be refinanced or otherwise replaced with other securities or financial instruments with a present value equal to the accrued principal and interest due in respect of the Roll-Up Loans as of the effective date of the plan; provided that the relative lien position of the DIP Lenders under the DIP Revolving Loans in respect of the Roll-Up Loans is maintained, and provided further the relative lien position of the DIP Lenders under the Roll-Up Loans in respect of the Prepetition Obligations is maintained. Upon conversion of the Roll-Up Loans in connection with the funding of the DIP Revolving Loans, the Roll-Up Loans shall cease to be indebtedness under the Prepetition Credit Agreement and shall be deemed DIP Obligations in all respects including for purposes of having the benefit of Section 364(e) of the Bankruptcy Code.

The Interim Order and the Final Order shall contain provisions prohibiting the Borrowers from incurring any indebtedness which (x) ranks *pari passu* with or senior to the loans under the DIP Facility or (y) benefits from a first or second priority lien under section 364 of the Bankruptcy Code.

Adequate Protection:

As adequate protection to the Prepetition Lenders for any diminution in the value of their interests in the Borrowers' property resulting from (i) the priming liens granted in favor of the DIP Agent and the DIP Lenders under the DIP Facility pursuant to section 364(d)(1) of the Bankruptcy Code, (ii) the use, sale or lease of the Borrowers' property (including any cash collateral) pursuant to section 363(c) of the Bankruptcy Code and (iii) the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code:

(a) The Prepetition Lenders will, subject to the terms of any DIP Order, maintain any of their liens in existence on the Petition Date (the "Prepetition Liens") on the DIP Collateral, which liens shall be junior and subordinate to the DIP Liens and the Carve-Out;

(b) The Prepetition Agent, on behalf of the Prepetition Lenders, shall be granted replacement liens on, and security interests in, all of the DIP Collateral (the "Lien Replacement Liens"), which replacement liens shall be subject only to (1) the liens on, and security interests in, the DIP Collateral granted to the DIP Agent and the DIP Lenders under the DIP Facility and the DIP Orders, as the case may be, (2) any Permitted Liens (as defined in the Prepetition Credit Agreement) and (3) the Carve-Out;

(c) Pursuant to Section 507(b) of the Bankruptcy Code, the Prepetition Agent, on behalf of the Prepetition Lenders, shall be granted an administrative claim with priority over all administrative expense claims and unsecured claims against the Borrowers (the "507(b) Claim"), subject only to (1) the super-priority claims granted to the DIP Agent and the DIP Lenders under the DIP Facility and the DIP Orders, as the case may be, and (2) the Carve-Out; and

(d) As additional adequate protection, the Borrowers shall reimburse the Prepetition Lenders on a monthly basis for the reasonable professional fees and expenses of the Prepetition Agent otherwise permitted under the Prepetition Credit Agreement arising (i) before the Petition Date and (ii) after the Petition Date to the extent such amounts arise in connection with the enforcement of the protections granted to the Prepetition Lenders pursuant to the DIP Orders; provided, however, if and to the extent that any payment(s) is challenged by a party in interest under section 506(b) of the Bankruptcy Code and ultimately not allowed under such provision, such payment(s) may be recharacterized as a payment of principal on the Prepetition Obligations.

Notwithstanding the foregoing, the Prepetition Agent and the Prepetition Lenders shall be granted adequate protection as provided herein to the extent the Prepetition Liens are valid, enforceable, perfected and non-avoidable.

Representations and Warranties: The documentation for the DIP Facility and related collateral matters shall contain such representations and warranties as are customary for DIP loan transactions and investments of a similar size and nature consistent with the Prepetition Credit Agreement.

Financial Covenants: Amounts disbursed pursuant to category of DIP Budget entitled "Asset Management Agreement" (excluding the line item entitled "Asset Management Fee") in any monthly budget period not to exceed the amounts set forth in the line item therefor (excluding "Asset Management Fee") in the Initial DIP Budget by more than ten percent (10%) for such monthly budget period.

Professional fees (other than fees and expenses of the advisors and consultants working on behalf of the DIP Agent and DIP Lenders) in any period of time measured from the Petition Date not to exceed the amounts set forth in the line item entitled "Total Professional Fees & Administrative Expenses" (excluding "Legal Advisors – DIP Lenders" and "Financial Advisors – DIP Lenders") for such period of time in the Initial DIP Budget by more than three hundred thousand Dollars ($e00,000).

Amounts disbursed pursuant to the category in the DIP Budget entitled "Operating Disbursements" in any monthly budget period not exceed the amounts set forth in the line item "Total Operating Disbursements" for such monthly budget period in the then applicable DIP Budget by more than ten percent (10%).

Negative Covenants: The documentation for the DIP Facility shall contain negative covenants of each Borrower customary for DIP loan transactions and investments of a similar size and nature consistent with the Prepetition Credit Agreement.

Affirmative Covenants:

The documentation for the DIP Facility shall include affirmative covenants of each Borrower, customary for DIP loan transactions and investments of a similar size and nature consistent with the Prepetition Credit Agreement, including, but not limited to, covenants requiring each Borrower:

1. To provide or cause to be provided to the DIP Agent and the DIP Lenders with a weekly line-by-line variance report comparing actual cash receipts and disbursements on a consolidated basis to amounts projected in the DIP Budget and a weekly reconciliation report which compares the actual cash flow results (receipts and disbursements) against the prior week's cash flow projections (receipts and disbursements), indicating the cumulative percentage variance, if any, of actual results versus projections for such week as set forth therein, together with management's explanation for such variance; such variance not to exceed 10% in the aggregate; and

2. To comply at all times with the DIP Budget (subject to expense variances no greater than 10% in the aggregate).

3. To maintain its existence and take all necessary and appropriate actions to preserve all assets of such Borrower (except as contemplated by the documentation for the DIP Facility.

Events of Default:

The DIP Facility shall include Events of Default customary for DIP loan transactions and investments of a similar size and nature consistent with the Prepetition Credit Agreement, including, but not limited to:

1. The use of proceeds inconsistent with the DIP Budget, including;

2. The payment of claims existing prior to the Petition Date or prior to a confirmed plan of reorganization (other than as set forth in the DIP Budget or payment is approved by the DIP Agent and authorized by an Order of the Court);

3. The Asset Management Agreement shall be terminated because of a breach by Pacific Ethanol, Inc. ("PEI");

4. Dismissal or conversion to Chapter 7 of any of the Chapter 11 Cases without the written consent of the DIP Agent and the DIP Lenders or the appointment of a trustee or examiner in any of the Chapter 11 Cases with any powers to operate or manage the financial affairs of any Borrower;

5. The entry of a final order that, in the sole determination of the DIP Agent and the DIP Lenders, in any way modifies, stays, reverses, or vacates the DIP Orders or the DIP Facility in each case in a manner adverse to the DIP Agent and the DIP Lenders without the written consent of DIP Agent and the DIP Lenders or either of the DIP Orders or the DIP Facility ceases to be in full force and effect;

6. The entry of the Interim Order shall not have occurred within 10 days after the Petition Date;

7. The entry of the Final Order shall not have occurred within 45 days after the date of entry of the Interim Order;

8. Any Borrower petitions the Bankruptcy Court to obtain additional financing *pari passu* or senior to DIP Facility;

9. The entry of an order granting any other super-priority claim or lien equal or superior to that granted to the DIP Agent or the DIP Lenders on the assets of the Borrowers;

10. The entry of an order granting relief from the automatic stay so as to allow a third party to proceed against any material assets of the Borrowers;

11. The entry of any order of the Bankruptcy Court confirming any plan of reorganization that does not contain a provision for termination of the DIP Facility and repayment in full in cash of all of the DIP Obligations under the DIP Facility on or before the effective date of such plan;

12. Any Borrower violates or breaches the any DIP Order or files any pleadings seeking, joining in, or otherwise consenting to any violation or breach of any DIP Order in each case in a manner adverse to the DIP Agent and the DIP Lenders in the sole determination of the DIP Agent and the DIP Lenders;

13. (A) The Borrowers engage in or support any challenge to the validity, perfection, priority, extent or enforceability of the DIP Facility or the Prepetition Obligations or the liens on or security interests in the assets of the Borrowers securing the DIP Facility or the Prepetition Obligations, including without limitation seeking to equitably subordinate or avoid the liens securing the Prepetition Obligations, or (B) the Borrowers engage in or support any investigation or their assertion of any claims or causes of action (or supporting the assertion of the same) against the DIP Agent, the DIP Lenders, the Prepetition Agent or the Prepetition Lenders; provided, however, it shall not constitute an Event of Default if the Borrowers provides basic loan information with respect to the Prepetition Obligations to a party in interest or is compelled to provide information by an Order of the Court and provides prior written notice to the DIP Agent and the DIP Lenders of the intention or requirement to do so;

14. Any person shall seek a Section 506(a) Determination with respect to the Prepetition Obligations that is unacceptable to the Prepetition Agent and the Prepetition Lenders;

15. The allowance of any claim or claims under Section 506(c) or 552(b) of the Bankruptcy Code against or with respect to any of the collateral securing the DIP Facility;

16. The entry of an order extending any exclusive right that any of the Borrowers may have to propose a plan that is more than 120 days after the Petition Date, or to solicit votes or to seek confirmation of plan on a date more than 180 days after the Petition Date, in either case without the written consent of the DIP Agent and the DIP Lenders;

17. The use of cash collateral other than as expressly contemplated by the DIP Orders and the DIP Budget prior to the indefeasible payment in full of the DIP Obligations and termination of the DIP Commitments thereunder;

18. The consummation of the sale of any material portion of the Borrowers' assets unless consented to by the DIP Agent and the DIP Lenders; and

19. Breach of any covenants or representations and warranties in the DIP financing documents or the DIP Orders, including without limitation, failure to make any Mandatory Prepayments.

Remedies On Default:

The DIP Orders and the DIP Facility loan documentation to provide that, upon the occurrence and during the continuation of an Event of Default under the DIP Facility, the DIP Agent, at the direction of the DIP Lenders, shall have customary remedies, including, without limitation, the automatic stay under section 362 of the Bankruptcy Code shall be deemed automatically terminated without further order of the Bankruptcy Court and without the need for filing any motion for relief from the automatic stay or any other pleading, to: (i) declare the principal of and accrued interest on the outstanding borrowings to be immediately due and payable, (ii) accelerate the DIP Obligations and terminate, as applicable, any further commitment to lend to the Borrowers, and (iii) charge the default rate of interest on the DIP Facility.

In addition, upon three business days' written notice (the "Notice Period") to the Borrowers and counsel to any official committees and the Office of the U.S. Trustee, the automatic stay shall be deemed automatically terminated, without further order of the Bankruptcy Court and without the need for filing any motion for relief from the automatic stay or any other pleading, to permit the DIP Agent to realize on all Collateral and to exercise any and all remedies under the DIP Orders and the DIP Facility with respect to the Collateral or any part thereof and to set off or seize amounts in any accounts maintained with or under the control of the DIP Agent or any DIP Lender; provided, however, during the Notice Period, Borrowers and/or the Committee may seek relief from the Bankruptcy Court to re-impose or continue the automatic stay; provided, further, in any hearing after the giving of the aforementioned notice, the only issue that may be raised by any party in opposition thereto being whether, in fact, an Event of Default has occurred and is continuing.

Voting: Matters requiring the approval of the DIP Lenders, including amendments and waivers of the definitive credit documentation, will require the approval of the DIP Lenders holding, in the aggregate, greater than 50% of the outstanding loan exposure (balances and commitments) under the DIP Facility, subject to exceptions to be set forth in the definitive credit documentation.

III. Other Terms

Conditions Precedent: The closing and the making of any Interim Advance shall be subject to various conditions precedent customary for DIP loan transactions and investments of a similar size and nature consistent with the Prepetition Credit Agreement, including but not limited to:

1. Satisfactory completion of legal and collateral due diligence and transaction structuring, including due diligence concerning the Borrowers' bankruptcy process and the receipt of all required court approvals for the DIP Facility;

2. Execution of definitive agreements, instruments, and documents related to the DIP Facility (including, without limitation, the DIP Orders), each satisfactory in form and substance to the DIP Lenders in their sole and absolute discretion, including a satisfactory cash management system consistent with the existing cash management system and subject to the existing tri-party account control agreements;

3. Delivery of the DIP Budget approved by the DIP Lenders and to be attached to the Interim Order and the Final Order entered by the Bankruptcy Court;

4. Entry of the Final Order or Interim Order, as the case may be, by the Bankruptcy Court, after notice given and a hearing conducted in accordance with Rule 4001(c) of the Federal Rules of Bankruptcy Procedure (and any applicable local bankruptcy rules), authorizing and approving the transactions contemplated by the documents evidencing the DIP Facility and finding that the DIP Lenders are extending credit to the Borrowers in good faith within the meaning of Bankruptcy Code section 364(e) and containing the terms provided in the Section entitled "DIP Orders" herein;

5. All of the "first day orders" shall have been entered at the commencement of the Borrowers' Chapter 11 Cases and shall be in form and substance reasonably satisfactory to the DIP Agent and the DIP Lenders.

6. Reimbursement in full in cash of the fees, costs and expenses of the DIP Agent, the DIP Lenders and the Prepetition Agent; and

7. No litigation commenced which has not been stayed by the Bankruptcy Court and which, if successful, would have a material adverse impact on any Borrower, its business or ability to repay the DIP Facility, or which would challenge the transactions under consideration.

8. PEI and the Borrowers will enter into an Asset Management Agreement (the "Asset Management Agreement") in a form acceptable to the DIP Agent.

The documents evidencing the DIP Facility shall contain the following conditions precedent to each Advance (collectively, "Extensions of Credit"):

(i) No Default or Event of Default shall have occurred and be continuing;

(ii) Representations and warranties shall be true and correct as of the date of each Extension of Credit;

(iii) (A) The Interim Order shall be in full force and effect or (B) if (x) the date of such requested Extension of Credit is more than 45 days after the Closing Date or (y) the amount of such requested Extension of Credit, together with the amount of all Extensions of Credit then outstanding, shall exceed the maximum amount authorized pursuant to the Interim Order, the Final Order shall have been entered, which Final Order shall be in form and substance satisfactory to the DIP Agent and the DIP Lenders, and shall be in full force and effect and shall not have been appealed, stayed, reversed, vacated or otherwise modified in a manner adverse to the DIP Agent and the DIP Lenders;

(iv) Receipt by the DIP Agent and the DIP Lenders of a borrowing request in the form to be set out in the documents evidencing the DIP Facility executed by each Borrower. The Borrowers' request for each Extension of Credit shall constitute a representation and warranty that the conditions to the making of such Extension of Credit shall have been satisfied; and

(v) Payment of all fees and other amounts then due and payable.

DIP Orders:

The DIP Orders shall be in form and substance reasonably acceptable in all respects to DIP Agent and DIP Lenders and to include, without limitation, provisions (i) approving in all respects the definitive documentation evidencing the DIP Facility, and authorizing and directing the Borrowers to execute and become bound by such definitive documentation; (ii) modifying the automatic stay to the extent necessary to permit or effectuate the terms of the DIP Orders and documents evidencing the DIP Facility, including, without limitation, to permit the creation and perfection of the DIP Agent's liens on the DIP Collateral; (iii) providing for the automatic relief of such stay to permit the enforcement of DIP Agent's and the DIP Lenders' remedies under the DIP Facility, subject to the right of the Borrowers and/or the Committee to re-impose or continue the automatic stay; and (iv) providing that the Borrowers acknowledge (a) the validity and enforceability of the Prepetition Obligations, without defense, offset or counterclaim of any kind, (b) the validity, perfection and priority of the liens securing the Prepetition Obligations, and that the Borrowers waive any right to challenge or contest such claims and liens and (c) that they have no valid claims or causes of action, whether based in contract, tort or otherwise against the Prepetition Agent or any Prepetition Lender with respect to the Prepetition Credit Agreement or the related documents or transactions.

Expenses:	All reasonable out-of-pocket fees, costs and expenses of the DIP Agent, the DIP Lenders, the Prepetition Agent and the Prepetition Lenders (including, without limitation, reasonable out-of-pocket prepetition and postpetition fees, costs, expenses and disbursements of legal counsel, financial advisors and third-party appraisers, advisors and consultants advising the DIP Agent, the DIP Lenders, the Prepetition Agent and the Prepetition Lenders) to be payable by the Borrowers under the DIP Facility on demand whether or not the transactions contemplated hereby are consummated; provided, however, the Borrowers shall only be required to pay to the Prepetition Agent and the Prepetition Lenders such amounts that have accrued and are outstanding on or prior to the Petition Date, except as otherwise permitted in the Interim Order.
Termination:	Upon the occurrence of an Event of Default, the DIP Lenders may terminate the DIP Commitments, declare the DIP Obligations to be immediately due and payable and exercise all rights and remedies under the documents evidencing the DIP Facility and the DIP Orders, as applicable.
Indemnification:	Borrowers shall agree to indemnify and hold harmless the DIP Agent and the DIP Lenders and each of their respective affiliates and each of their respective officers, directors, employees, agents, advisors and representatives (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and disbursements of counsel), that may be incurred by or asserted or awarded against any Indemnified Party (including, without limitation, in connection with any investigation, litigation or proceeding or the preparation of a defense in connection therewith), arising out of or in connection with or by reason of the transactions contemplated hereby, except to the extent arising from an Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any of the Borrowers, any of their respective directors, security holders or creditors, an Indemnified Party or any other person or an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated.
Confidentiality:	Except as required by law or in connection with the implementation of this Term Sheet, the terms hereof will be kept strictly confidential by each of the Borrowers and may only be disclosed to such Borrower's affiliates, legal counsel, financial advisors, financing sources and consultants who have been informed of, and agree to abide by, the confidentiality of this Term Sheet. To the extent that any disclosure becomes legally required, the DIP Agent and the DIP Lenders shall be notified promptly and before the required disclosure is made.
Governing Law:	New York law except as governed by the Bankruptcy Code.
Miscellaneous:	This summary of terms and conditions does not purport to summarize all of the conditions, covenants, representations, warranties and other provisions which would be contained in definitive credit documentation for the DIP Facility contemplated hereby, all of which shall be acceptable to the DIP Agent and the DIP Lenders.

ANNEX I

Commitments

REVOLVING LENDER	REVOLVING LOAN COMMITMENT	ROLL UP LOAN COMMITMENT
WestLB AG, New York Branch	$1,485,606.38	$2,228,409.53
Amarillo National Bank	$805,589.60	$1,208,384.41
CIFC Funding 2007-III Ltd.; CIFC Funding 2007-IV, Ltd.	$1,044,473.15	$1,566,709.73
CIT Capital USA Inc.	$3,300,137.73	$4,950,206.60
Credit Suisse Candlewood Special Situations Master Fund, Ltd.	$4,864,148.59	$7,296,222.89
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland," New York Branch	$1,989,529.19	$2,984,293.78
Metropolitan Life Insurance Company	$1,701,944.26	$2,552,916.40
Norddeutsche Landesbank Girozentrale New York Branch and/or Cayman Island Branch	$1,871,279,73	$2,806,919.60
GreenStone Farm Credit Services, ACA/FLCA	$547,061.33	$820,591.99
Nordkap Bank AG	$1,588,972.09	$2,383,458.14
Northwest Farm Credit Services, FLCA	$547,061.33	$820,591.99
ShoreBank Pacific	$254,196.62	$381,294.94
Total	**$20,000,000.00**	**$30,000,000.00**

EXHIBIT 99.1

Pacific Ethanol, Inc.

FOR IMMEDIATE RELEASE

INVESTOR RELATIONS:
916-403-2755
866-508-4969
InvestorRelations@pacificethanol.net

MEDIA CONTACT:
Paul Koehler, Pacific Ethanol, Inc.
503-235-8241
paulk@pacificethanol.net

PRODUCTION FACILITY SUBSIDIARIES FILE FOR CHAPTER 11 BANKRUPTCY PROTECTION;

EXISTING LENDERS AGREE IN PRINCIPLE TO $20 MILLION DIP FINANCING; KINERGY AMENDS $10M CREDIT FACILITY WITH WACHOVIA

Sacramento, CA, May 18, 2009 – Pacific Ethanol, Inc. (the "Company") (NASDAQ GM: PEIX), announced today that its subsidiaries which own its four wholly-owned ethanol production facilities ("Plant Subsidiaries") have filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code in the District of Delaware in an effort to restructure their indebtedness.

The Company and its marketing subsidiaries, Kinergy Marketing LLC ("Kinergy") and Pacific Ag. Products, LLC ("PAP"), have not filed for Chapter 11 bankruptcy protection. The Company is expected to continue to manage the Plant Subsidiaries under an Asset Management Agreement and Kinergy and PAP are expected to continue to market and sell the Plant Subsidiaries' ethanol and feed production under existing Marketing Agreements.

The Plant Subsidiaries and WestLB AG and certain other lenders under the Credit Agreement dated February 27, 2007 have agreed in principle to first priority secured debtor-in-possession ("DIP") financing in a maximum amount of $20 million that is intended to enable the Plant Subsidiaries to continue to satisfy customary obligations associated with their ongoing operations. The Plant Subsidiaries and the lenders have negotiated a proposed DIP Credit Agreement. The DIP financing is subject to approval by the bankruptcy court and final documentation as well as numerous other conditions to closing.

Kinergy has renegotiated and amended its credit facility with Wachovia Capital Finance Corporation. Wachovia has agreed to continue providing up to $10 million for Kinergy's working capital needs. The term of the amended credit facility extends through October 2010. Kinergy's business is expected to continue uninterrupted.

Neil Koehler, Pacific Ethanol's CEO and President said, "We have worked well with our creditors to develop a plan that we believe allows us to continue operations and meet our commitments to our customers and vendors. We are unwavering in our vision of being a leading producer and marketer of low carbon fuels in the Western United States. While the market environment for the ethanol industry has been challenging over the last several quarters, we remain confident that a restructured company will grow and prosper as the demand for low carbon fuels increases."

Pacific Ethanol, Inc.

Bill Jones, Pacific Ethanol's Chairman of the Board said, "We appreciate the support of West LB, Wachovia and the work of our management team. Our objective is to move this process forward as quickly as possible so that we can maintain our focus on serving our fuel and feed markets"

About Pacific Ethanol, Inc.

Pacific Ethanol is the largest West Coast-based marketer and producer of ethanol. Pacific Ethanol has ethanol plants in Madera and Stockton, California; Boardman, Oregon; and Burley, Idaho. Pacific Ethanol also owns a 42% interest in Front Range Energy, LLC which owns an ethanol plant in Windsor, Colorado. Central to Pacific Ethanol's growth strategy is its destination business model, whereby each respective ethanol plant achieves lower process and transportation costs by servicing local markets for both fuel and feed. Pacific Ethanol has achieved its goal of 220 million gallons per year of ethanol production capacity in 2008. In addition, Pacific Ethanol is working to identify and develop other renewable fuel technologies, such as cellulose-based ethanol production and bio-diesel.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

With the exception of historical information, the matters discussed in this press release are forward-looking statements that involve a number of risks and uncertainties. The actual future results of Pacific Ethanol could differ from those statements. Factors that could cause or contribute to such differences include, but are not limited to, the ability of the Plant Subsidiaries to close on the DIP financing as currently contemplated; the ability of the Plant Subsidiaries to remain in compliance with the terms of any debtor-in-possession financing; the ability of Pacific Ethanol and Kinergy to remain in compliance with the terms of the Wachovia credit facility; the ability of Pacific Ethanol to obtain additional debt or equity financing, or both, including additional working capital financing, and the ability of Pacific Ethanol to reschedule or restructure its indebtedness; the price of ethanol relative to the price of corn and other production inputs; the price of ethanol relative to the price of gasoline; and the factors contained in the "Risk Factors" section of Pacific Ethanol's Form 10-K filed with the Securities and Exchange Commission on March 31, 2009 and Pacific Ethanol's Form 10-Q to be filed with the Securities and Exchange Commission on May 18, 2009.

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