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) **March 4, 2010**

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.

Entry of Order Approving Stipulation for Settlement of Claim

On March 4, 2010, the Superior Court of the State of California for the County of Los Angeles (the "Court") entered an Order Approving Stipulation for Settlement of Claim (the "Order") in the matter entitled Socius CG II, Ltd. v. Pacific Ethanol, Inc. The Order provides for the full and final settlement of Socius GC II, Ltd.'s ("Socius") $5,000,000 claim against us (the "Claim"). Socius purchased the Claim from Lyles United, LLC ("Lyles United"), a creditor of Pacific Ethanol, Inc., pursuant to the terms of a Purchase and Option Agreement dated effective as of March 2, 2010 between Socius and Lyles United (the "Lyles United Purchase Agreement"). The Claim consists of the right to receive $5,000,000 of principal amount of and under a loan made by Lyles United to us pursuant to the terms of an Amended and Restated Promissory Note dated November 7, 2008 in the original principal amount of $30,000,000 (the "Lyles United Note"). Pursuant to the terms of the Order, on March 5, 2010, we issued and delivered to Socius 5,800,000 shares of our common stock (the "Settlement Shares"), subject to adjustment as set forth in the Order.

The Settlement Shares represent approximately 9.99% of the total number of shares of our common stock outstanding immediately preceding the date of the Order. The total number of shares of our common stock to be issued to Socius or its designee in connection with the Order will be adjusted on the 6th trading day following the date on which the Settlement Shares are issued, as follows: (i) if the number of VWAP Shares (as defined below) exceeds the number of Settlement Shares initially issued, then we will issue to Socius or its designee additional shares of our common stock equal to the difference between the number of VWAP Shares and the number of Settlement Shares, and (ii) if the number of VWAP Shares is less than the number of Settlement Shares, then Socius or its designee will return to us for cancellation that number of shares as equals the difference between the number of VWAP Shares and the number of Settlement Shares.

The number of VWAP Shares is equal to (i) $5,000,000 plus Socius' reasonable legal fees, expenses, and costs (ii) divided by 80% of the volume weighted average price ("VWAP") of our common stock over the 5-day trading period immediately following the date on which the Settlement Shares were issued. In no event will the number of shares of our common stock issued to Socius or its designee in connection with the settlement of the Claim, aggregated with all shares of our common stock then owned or beneficially owned or controlled by, collectively, Socius and its affiliates, at any time exceed (x) 9.99% of the total number of shares of our common stock then outstanding , or (y) without our prior written consent, that number of shares of our common stock that would trigger a new limitation under Internal Revenue Code Section 382. In addition, in no event will the aggregate number of shares of our common stock issued to Socius or its designee in connection with the settlement of the Claim, aggregated with any other shares of our common stock issued to Socius and/or its designees by us, at any time exceed 19.99% of the total number of shares of our common stock outstanding immediately preceding the date of the Order unless we have obtained either (1) stockholder approval of the issuance of more than such number of shares of our common stock pursuant to NASDAQ Marketplace Rule 5635(d) or (2) a waiver from NASDAQ of our compliance with Rule 5635(d).

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

Item 3.02 Unregistered Sale of Equity Securities.

The information set forth in Item 1.01 of this report is incorporated herein by reference.

The offer and sale of the securities described in Item 1.01 were effected in reliance on Section 3(a)(10) of the Securities Act of 1933, as amended.

Item 8.01 Other Events.

Lyles United Purchase Agreement

On March 2, 2010, Socius and Lyles United entered into the Lyles United Purchase Agreement described in Item 1.01 above. We are a party to the Lyles United Purchase Agreement through our execution of an acknowledgment contained therein. The Lyles United Purchase Agreement provides for the sale by Lyles United to Socius of Lyles United's right to receive payment on a portion of the total amount of our indebtedness to Lyles United, namely $5.0 million principal amount of and under an Amended and Restated Promissory Note dated November 7, 2008 in the principal amount of $30,000,000 (the "Lyles United Note"). The Lyles United Purchase Agreement also provides that if certain conditions are met with respect to the sale and purchase of the $5.0 million portion of the total indebtedness owed to Lyles United, then Lyles United will have successive options, to be exercised at the sole and absolute discretion of Lyles United, if at all, to sell, transfer and assign to Socius one or more additional claims (which may include any combination of principal, interest or reimbursable fees or expenses comprising part of the then-outstanding indebtedness) in the amount of $5.0 million each.

In the acknowledgment, we acknowledged and agreed with Socius and Lyles United (i) that certain of the recitals in the Lyles United Purchase Agreement are true and correct, (ii) that the sale of the $5.0 million claim to Socius covers only such amount, that Lyles United reserves and preserves all of its other claims and interests under the Lyles United Note and that Lyles United's sale of the $5.0 million claim does not in any way prejudice or have any adverse effect on such other claims and interests of Lyles United under the Lyles United Note (iii) that the execution, delivery and performance of the Lyles United Purchase Agreement does not and will not conflict with the terms of the Lyles United Note (or any credit enhancement documents that have been executed in connection with the Lyles United Note) nor will it require any waiver or consent, (iv) that the Lyles United Note is valid, outstanding and enforceable in accordance with its terms and is not subject to any defense or offset and that Lyles United continues to have a valid, enforceable and perfected security interest in certain of our assets pursuant to certain credit enhancement documents entered into by us and Lyles United in connection with the Lyles United Note, and (v) that Socius and Lyles United are relying on our acknowledgments and agreements in entering into the Lyles United Purchase Agreement.

The description of the Lyles United Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the Lyles United Purchase Agreement, which is filed as Exhibit 99.1 to this report and incorporated herein by reference.

Lyles Mechanical Co. Option/Purchase Agreement

On March 2, 2010, Socius and Lyles Mechanical Co. ("Lyles Mechanical") entered into an Option/Purchase Agreement (the "Option Agreement"). We are a party to the Option Agreement through our execution of an acknowledgment contained therein. The Option Agreement grants Lyles Mechanical an option in the future, to be exercised at the sole and absolute discretion of Lyles Mechanical, if at all, to sell, transfer and assign to Socius the right of Lyles Mechanical to receive payment of all amounts due Lyles Mechanical by us pursuant to the terms of a Promissory Note (Final Payment) dated October 20, 2008 in the principal amount of $1.5 million (the "Lyles Mechanical Note").

In the acknowledgment, we acknowledged and agreed with Socius and Lyles Mechanical (i) that certain of the recitals in the Option Agreement are true and correct, (ii) that the sale of the claim to Socius does cover any rights of Lyles Mechanical against us that do not arise under the Lyles Mechanical Note and that entering into the Option Agreement wil l not in any way prejudice or have any adverse effect on any other rights of Lyles Mechanical, (iii) that the execution, delivery and performance of the Lyles United Purchase Agreement does not and will not conflict with the terms of the Lyles Mechanical Note nor will it require any waiver or consent, (iv) that the Lyles Mechanical Note is valid, outstanding and enforceable in accordance with its terms and is not subject to any defense or offset and (v) that Socius and Lyles Mechanical are relying on our acknowledgments and agreements in entering into the Option Agreement.

The description of the Option Agreement does not purport to be complete and is qualified in its entirety by reference to the Option Agreement, which is filed as Exhibit 99.2 to this report and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

Exhibit No.	Description
10.1	Order Approving Stipulation for Settlement of Claim (*)
99.1	Purchase and Option Agreement dated March 2, 2010 by and between Lyles United, LLC and Socius CG II, Ltd. containing an Acknowledgment by Pacific Ethanol, Inc. (*)
99.2	Option/Purchase Agreement dated March 2, 2010 by and between Lyles Mechanical Co. and Socius CG II, Ltd. containing an Acknowledgment by Pacific Ethanol, Inc. (*)

* 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: March 8, 2010

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	Order Approving Stipulation for Settlement of Claim
99.1	Purchase and Option Agreement dated March 2, 2010 by and between Lyles United, LLC and Socius CG II, Ltd. containing an Acknowledgment by Pacific Ethanol, Inc.
99.2	Option/Purchase Agreement dated March 2, 2010 by and between Lyles Mechanical Co. and Socius CG II, Ltd. containing an Acknowledgment by Pacific Ethanol, Inc.

EXHIBIT 10.1

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES, CENTRAL DISTRICT

Socius CG II, Ltd., Plaintiff v. Pacific Ethanol, Inc. and Does 1-10 Inclusive, Defendents.	Case No. BC432829 Assigned For All Purposes To: Hon. Edward A. Ferns, Dept. 69 **ORDER APPROVING STIPULATION FOR SETTLEMENT OF CLAIM** Date: March 4, 2010 Time: 8:30 a.m. Dept.: 69 Complaint Filed March 3, 2010 Trial Date: None Set

The Joint Ex Parte Application For Court Order Approving Stipulation for Settlement of Claim ("Application"), filed by Plaintiff Socius CG II, Ltd. ("Socius") and joined by Defendant Pacific Ethanol, Inc. ("PEI" or the "Company"), came on for hearing on March 4, 2010 at 8:30 a.m. in Department 69 of the above-entitled court, the Honorable Edward A. Ferns, Judge presiding.

The Court, having reviewed the Application, having been presented with a Stipulation for Settlement of Claim (the "Stipulation"), a copy of which is attached as Exhibit A to the Application, and after a hearing upon the fairness, adequacy and reasonableness of the terms and conditions of the issuance of shares of the common stock of PEI (the "Common Stock") to Socius in exchange for the extinguishment of said claims, **IT IS THEREFORE ORDERED AS FOLLOWS:**

1. The Stipulation is approved in it entirety;

2. In full and final settlement of Socius' claim against PEI in the total amount of $5,000,000 (the "Claim"), which Claim Socius purchased from a creditor of PEI, Lyles United, LLC ("Lyles United") pursuant to a Purchase and Option Agreement between Socius and Lyles United, dated March 2, 2010 (the "Purchase Agreement"), and which Claim comprises a portion of the principal amount due and payable under a loan made from Lyles United to PEI in aggregate principal amount of $30,000,000, PEI will issue and deliver to Socius or its designee 5,800,000 shares of Common Stock, being approximately equal to (but under no circumstance whatsoever more than) 9.99% of the total number of shares of Common Stock outstanding on the date of this stipulation (the "Settlement Shares"), subject to adjustment as set forth in paragraph 4 below to reflect the intention of the parties that the total number of shares issued be based upon an average trading price of the Common Stock for a specified period of time subsequent to entry of this Order.

3. No later than the first business day following the date that the Court enters this Order approving the Stipulation, PEI shall: (i) immediately issue the number of shares of Common Stock required by paragraph 2 above to Socius' or its designee's balance account with The Depository Trust Company (DTC) through the Fast Automated Securities Transfer (FAST) Program of DTC's Deposit/Withdrawal Agent Commission (DWAC) system, without any restriction on transfer, time being of the essence, by transmitting by facsimile and overnight delivery such irrevocable and unconditional instruction to PEI's stock transfer agent, and (ii) cause its legal counsel to issue an opinion to PEI's transfer agent, in form and substance acceptable to both parties and such transfer agent, that the shares may be so issued.

4. The total number of shares of Common Stock to be issued to Socius or its designee in connection with the Stipulation and this Order shall be adjusted on the 6th trading day following the date on which the Settlement Shares are delivered to Socius or its designee as DWAC shares in compliance with paragraph 3 above, as follows: (i) if the number of VWAP Shares (as defined below) exceeds the number of Settlement Shares initially issued, then PEI will issue and deliver to Socius or its designee, as DWAC shares in accordance with paragraph 3 above, additional shares of Common Stock equal to the difference between the number of VWAP Shares and the number of Settlement Shares, and (ii) if the number of VWAP Shares is less than the number of Settlement Shares, then Socius or its designee will return to PEI for cancellation that number of shares as equals the difference between the number of VWAP Shares and the number of Settlement Shares issued pursuant to paragraph 2 above.

a. The number of VWAP Shares is equal to (i) $5,000,000 plus Socius' reasonable legal fees, expenses, and costs, (ii) divided by 80% of the volume weighted average price ("VWAP") of the Common Stock over the 5-day trading period immediately following the date on which the Settlement Shares are delivered to Socius or its designee as DWAC shares in compliance with paragraph 3 above.

b. In no event shall the number of shares of Common Stock issued to Socius or its designee in connection with the settlement of the Claim, aggregated with all shares of Common Stock then owned or beneficially owned or controlled by, collectively, Socius and its affiliates, at any time exceed (i) 9.99% of the total number of shares of Common Stock then outstanding, or (ii) without the prior written consent of PEI, that number of shares of Common Stock that would trigger a new limitation under IRS Code Section 382.

c. In no event shall the aggregate number of shares of Common Stock issued to Socius or its designee in connection with the settlement of the Claim, aggregated with any other shares of Common Stock issued to Socius and/or its designees by PEI, at any time exceed 19.99% of the total number of shares of Common Stock outstanding immediately preceding the date the Court enters the Order approving this stipulation unless PEI has obtained either (i) stockholder approval for the issuance of more than such number of shares of Common Stock pursuant to NASDAQ Marketplace Rule 5635(d) or (ii) a waiver from NASDAQ of compliance with Rule 5635(d).

5. For so long as Socius or any of its affiliates hold any shares of Common Stock of PEI, neither Socius nor any of its affiliates will: (i) vote any shares of Common Stock owned or controlled by it, or solicit any proxies or seek to advise or influence any person with respect to any voting securities of PEI; or (ii) engage or participate in any actions, plans or proposals which relate to or would result in (a) Socius or any of its affiliates acquiring additional securities of PEI, alone or together with any other person, which would result in Socius and its affiliates collectively beneficially owning or controlling more than 9.99% of the total outstanding Common Stock or other voting securities of PEI, (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving PEI or any of its subsidiaries, (c) a sale or transfer of a material amount of assets of PEI or any of its subsidiaries, (d) any change in the present board of directors or management of PEI, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board, (e) any material change in the present capitalization or dividend policy of PEI, (f) any other material change in PEI's business or corporate structure, including but not limited to, if PEI is a registered closed-end investment company, any plans or proposals to make any changes in its investment policy for which a vote is required by Section 13 of the Investment Company Act of 1940, (g) changes in PEI's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of PEI by any Person, (h) causing a class of securities of PEI to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association, (i) causing a class of equity securities of PEI to become eligible for termination of registration pursuant to Section 12(g)(4) of the Act, or (j) taking any action, intention, plan or arrangement similar to any of those enumerated above. The provisions of this paragraph 5 may not be modified or waived without further order of the Court.

6. For the period of one year from the date that the final number of Settlement Shares are delivered to Socius or its designee as DWAC shares in compliance with paragraph 3 above, and regardless of whether Socius or its affiliates then hold any debt or equity securities of PEI, Socius and its affiliates shall have the exclusive right to enter into transactions with PEI whereby PEI directly or indirectly issues common stock or common stock equivalents to a party (including without limitation Lyles United or its affiliates) in exchange for outstanding securities, claims or property interests, or partly in such exchange and partly for cash, including without limitation any such financing or transaction carried out pursuant to Section 3(a)(9) or Section 3(a)(10) of the Securities Act of 1933, as amended; provided, however, that the foregoing exclusivity provision shall not apply to (i) such transactions between PEI and any entity that is a creditor of any PEI subsidiary on the date hereof, or (ii) a convertible note financing (including later conversion of the notes to common stock) in a maximum amount of $5 million with the creditor with whom PEI is currently in negotiations regarding such financing, or (iii) such transactions between PEI and two of its directors in respect of an aggregate of $2 million in principal amount of notes issued by PEI to such directors provided that the securities issued in exchange for such notes cannot be sold by such directors for at least six months subsequent to the issuance date.

2.This Order ends, finally and forever (i) any claims to payment or compensation of any kind or nature which Socius had, now has, or may assert in the future against PEI arising out of the Claim, and (ii) any claims, including without limitation for offset or counterclaim, which PEI had, now has, or may assert in the future against Socius arising out of the Claim. In this regard, and subject to compliance with this Order, effective upon the execution of this Order, each party hereby releases and forever discharges the other party, including all of the other party's employees, officers, directors, affiliates and attorneys, from any and all claims, demands, obligations (fiduciary or otherwise), and causes of action, whether known or unknown, suspected or unsuspected, arising out of, connected with, or incidental to the Claim.

7. This action is hereby dismissed with prejudice, provided that the court shall retain jurisdiction with regard to the Claim to enforce the terms of this Order.

8. The Stipulation and this Order may be enforced by any party to the Stipulation by a motion under California Code of Civil Procedure section 664.6, or by any procedure permitted by law in the Superior Court of Los Angeles County. Pursuant to the Stipulation, each party thereto further waives a statement of decision, and the right to appeal from this Order after entry. Except as expressly provided in Paragraph 4 above, each party shall bear its own attorney's fees, expenses and costs with regard to the Stipulation and this Order.

IT IS SO ORDERED.

DATED: **MAR 4, 2010**

/s/ Edward A. Ferns
JUDGE OF THE SUPERIOR COURT

EXHIBIT 99.1

PURCHASE AND OPTION AGREEMENT

This Purchase and Option Agreement ("Agreement") is entered into as of March 2, 2010, by and between Socius CG II, Ltd., a Bermuda exempted company ("Purchaser"), and Lyles United, LLC, a Delaware limited liability company ("Creditor"), and, as to the Acknowledgment at the end of this Agreement, by Pacific Ethanol, Inc., a Delaware corporation ("PEI").

RECITALS

A. PEI is indebted to Creditor pursuant to the terms of that certain Amended and Restated Promissory Note, payable to Creditor, dated November 7, 2008, in the principal amount of $30,000,000 (the "Note").

B. The obligations of PEI to Creditor under the Note are secured and/or credit enhanced by the terms of (i) that certain Security Agreement dated as of November 7, 2008 between Pacific Ag. Products, LLC, a California limited liability company and indirectly wholly-owned subsidiary of PEI, and Creditor (the "Security Agreement"), (ii) that certain Irrevocable Joint Instruction Letter dated November 7, 2008 among PEI, Pacific Ethanol California, Inc., a California corporation and wholly-owned subsidiary of PEI, and Creditor (the "Instruction Letter"), (iii) that certain Unconditional Guaranty dated November 7, 2008 by Pacific Ag. Products, LLC in favor of Creditor (the "PacAg Guaranty"), and (iv) that certain Limited Recourse Guaranty dated November 7, 2008 by Pacific Ethanol California, Inc. in favor of Creditor (the "PEC Guaranty") (the Security Agreement, Instruction Letter, PacAg Guaranty and PEC Guaranty hereinafter are collectively referred to as the "Credit Enhancement Documents").

C. As of the date of this Agreement, PEI is in default under the Note. PEI is also indebted to Creditor for accrued and unpaid interest, late fees and costs, and reimbursable fees or expenses related to the Note and the defaults thereunder, for a total amount due and payable by PEI to Creditor of $33,345,009 (consisting of $30,000,000 principal amount, plus $2,945,009 in unpaid interest accrued through February 28, 2010, plus $400,000 in reimbursable fees or expenses) as of the date hereof (such total amount, plus all additional interest that accrues on the unpaid principal balance under the Note on and after February 28, 2010, plus any additional reimbursable fees or expenses incurred or arising after February 28, 2010, being collectively referred to herein as the "Indebtedness").

D. Creditor desires to sell, transfer and assign to Purchaser its right to receive payment on a portion of the Indebtedness, namely $5 million of principal amount of and under the Note (the "Subject $5 Million Claim"), and Purchaser desires to purchase the Subject $5 Million Claim, all subject to the terms and conditions set forth below.

E. Creditor and Purchaser desire Creditor to have the option in the future, to be exercised at the sole and absolute discretion of Creditor, if at all, to sell, transfer and assign to Purchaser the right of Creditor to receive payment on additional portions of Creditor's claim against PEI in respect of the Indebtedness, in tranches of $5 million each except as otherwise set forth herein (each such tranche, an "Additional Claim"), up to the full amount of the then-outstanding Indebtedness, or such lesser amount as may be determined by Creditor in its sole and absolute discretion. If any such option is exercised by Creditor in its sole and absolute discretion with respect to one or more Additional Claims, then Purchaser desires to purchase such Additional Claims, all subject to the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Purchase and Sale of Subject $5 Million Claim; Excluded Rights: Purchase Price.

(a) Upon the terms of this Agreement and subject only to the conditions subsequent set forth in Section 2 below, Purchaser hereby purchases from Creditor, and Creditor hereby sells, transfers, conveys and assigns to Purchaser, for the consideration specified below, all right, title and interest in and to the Subject $5 Million Claim. It is expressly understood and agreed by the parties that the Subject $5 Million Claim does not include, and the Purchaser under this Agreement is not purchasing or otherwise obtaining, (i) any rights under the Credit Enhancement Documents, which Creditor hereby expressly retains and preserves for its own benefit, (ii) any and all claims for accrued and unpaid interest owing to Creditor by PEI as of the date hereof under or in connection with the Note, including, without limitation, all accrued and unpaid interest on the Subject $5 Million Claim as of the date hereof, all of which claims are expressly retained and preserved by Creditor for its own benefit, and (iii) any and all claims of Creditor against PEI for reimbursable fees or expenses under or in connection with the Note, which are expressly retained and preserved by Creditor for its own benefit.

(b) The total consideration to be paid by Purchaser to Creditor for the Subject $5 Million Claim shall be Five Million Dollars ($5,000,000) (the "Purchase Price"). The Purchase Price shall be due and payable by Purchaser to Creditor by wire transfer on the date set forth in sub-paragraph (b) of Section 2 below.

2. Conditions Subsequent.

(a) Notice of Filing of Action and Settlement Motion. No later than close of business on the third business day after the date of this Agreement, Purchaser shall provide written notice to Creditor that (i) Purchaser has filed an action (the "Action") against PEI in the Superior Court of the State of California for the County of Los Angeles (the "Court") for collection of the Subject $5 Million Claim, specifying the date that the Action was commenced (the "Action Commencement Date"), and (ii) a motion in the Action has been filed seeking Court approval of the settlement of the Action on terms acceptable to Purchaser and in accordance with Section 3(a)(10) of the Securities Act of 1933, as amended (the "Settlement"). If such written notice is not provided by Purchaser to Creditor by the close of business on the third business day after the date of this Agreement, then this Agreement (including, without limitation, the provisions in the remainder of this Section 2) shall be deemed void ab initio and of no further force or effect, and no sale or assignment of the Subject $5 Million Claim shall have occurred or be deemed to have occurred.

(b) Court Approval Notice. Purchaser shall provide written notice to Creditor reasonably promptly after the Court has entered an order in form and substance acceptable to Purchaser approving the Settlement (such written notice being hereinafter referred to as the "Court Approval Notice"). In all events and circumstances, if Purchaser has not provided the Court Approval Notice by the close of business on the tenth business day after the Action Commencement Date (regardless of whether Purchaser has simply overlooked providing such notice by such tenth business day, is not in a position to provide such notice by such tenth business day because the Court has not entered an order approving the Settlement by such tenth business day, or for any other reason in Purchaser's sole discretion Purchase has failed to timely provide the Court Approval Notice), then Creditor shall have the right to terminate and cancel this Agreement by providing written notice of termination to Purchaser at any time prior to receiving the Court Approval Notice from Purchaser. If such termination is so effected by Creditor, then this Agreement shall be deemed void ab initio and of no further force or effect, and no sale or assignment of the Subject $5 Million Claim shall have occurred or be deemed to have occurred.

(c) Payment of Purchase Price. If the Court Approval Notice is provided by Purchaser to Creditor before Creditor has exercised any termination right set forth in sub-paragraph (b) immediately above, then no later than close of business on the second business day after the date the Court Approval Notice is provided by Purchaser to Creditor, Purchaser shall pay the Purchase Price to Creditor by wire transfer to Creditor pursuant to the following wire transfer instructions (the date upon which the Purchase Price has been so timely paid by Purchaser to Creditor being hereinafter referred to as the "Payment Date"):

Wire

To:

Bank of New York Mellon
One Wall St.
New York, NY 10286
Telephone: (212) 495-1784

ABA:	xxx-xxx-xxx
F/C/O:	Pershing LLC
F/A/O:	xxx-xxxxxx-x
F/F/C:	Lyles United, LLC
F/F/A:	xxx-xxxxxx

If payment of the Purchase Price is not so timely made by Purchaser to Creditor on the Payment Date, then Creditor shall have the right to terminate and cancel this Agreement by providing written notice of termination to Purchaser at any time prior to payment of the Purchase Price. If such termination is so effected by Creditor, then this Agreement shall be deemed void ab initio and of no further force or effect, and no sale or assignment of the Subject $5 Million Claim shall have occurred or be deemed to have occurred.

3. Upon (and only upon) the occurrence of the following three conditions subsequent: (i) the written notice of the Action Commencement Date and of the filing of the motion for Court approval of the Settlement having been timely provided to Creditor by Purchaser pursuant to sub-paragraph (a) of Section 2 above, (ii) the Court Approval Notice having been provided by Purchaser to Creditor before Creditor has exercised any termination right pursuant to sub-paragraph (b) of Section 2 above, and (iii) the payment of the Purchase Price to Creditor before Creditor has exercised any termination right pursuant to sub-paragraph (c) of Paragraph 2 above,

(a) All conditions subsequent shall have been satisfied and the sale and assignment of the Subject $5 Million Claim shall be complete and indefeasible; and

(b) Prior to the close of business on the second business day after the occurrence of the three conditions subsequent described above in this Section 3, Creditor shall execute for the benefit of PEI and attach to the Note an Allonge/Amendment No. 1 to the Note, in the form of Exhibit 1 hereto, attesting to the reduction of the principal amount of the Note by $5,000,000 on and as of the Payment Date (but preserving all claims to accrued and unpaid interest, including, without limitation, all accrued and unpaid interest on such $5,000,000 up to the Payment Date). Creditor agrees that this sub-paragraph (b) is for the protection and benefit of PEI, and accordingly agrees that in the event that the conditions subsequent described above in this Section 3 are satisfied (including that the Purchase Price is timely paid on the Payment Date), (i) Creditor will supply a copy of the executed Allonge/Amendment No. 1 to PEI promptly following its execution, and (ii) Creditor's obligation to execute the Allonge/Amendment No. 1 and supply a copy thereof to PEI shall be enforceable by PEI as a third-party beneficiary of this provision.

4. Representations and Warranties of Creditor. Creditor hereby represents and warrants to Purchaser as follows:

(a) Creditor is the owner of the Subject $5 Million Claim, free and clear of all liens and encumbrances. Creditor has not previously transferred, encumbered or released all or any part of the Subject $5 Million Claim.

(b) Creditor will at all times promptly withhold and pay any federal, state, local or foreign taxes legally due and payable by Creditor as a result of payment of the Purchase Price, including without limitation all income taxes, self employment taxes and foreign entity withholding taxes.

(c) Creditor has all necessary power and authority to (i) execute, deliver and perform all of its obligations under this Agreement, and (ii) sell and transfer the Subject $5 Million Claim. Creditor has such knowledge and experience in business and financial matters that it is able to protect its own interests and evaluate the risks and benefits of entering into this Agreement. Creditor acknowledges and agrees that it has had an opportunity to conducts its own due diligence and consult with its own counsel, tax and financial advisors, and that Creditor is not relying in that regard on Purchaser. Creditor acknowledges that except as expressly set forth in Section 5 below, Purchaser is not making any representations or warranties, including, without limitation, about PEI.

(d) The execution, delivery and performance of this Agreement by Creditor has been duly authorized by all requisite action on the part of Creditor, and has been duly executed and delivered by Creditor.

(e) Except as expressly stated herein, Creditor is not, directly or indirectly, receiving any consideration from or being compensated in any manner by, and will not at any time in the future accept any consideration or compensation from, PEI, any affiliate of PEI, or any other person for entering into this Agreement or selling the Subject $5 Million Claim.

(f) As to any Option that is exercised by Creditor, the representations and warranties of Creditor contained in sub-paragraphs (a) through (e) of this Section 4 shall be deemed to apply to the Additional Claim that is covered by the applicable Option Exercise Notice and to speak as of the date and time immediately before the purchase of such Additional Claim by Purchaser is consummated (so that, with respect to such Additional Claim, each reference to the "Subject $5 Million Claim" in sub-paragraphs (a) through (e) of this Section 4 instead shall be read as a reference to such Additional Claim).

5. Representations and Warranties of Purchaser. Purchaser hereby represents and warrants to Creditor as follows:

(a) Purchaser has all necessary power and authority to execute, deliver and perform all of its obligations under this Agreement.

(b) The execution, delivery and performance of this Agreement by Purchaser has been duly authorized by all requisite action on the part of Purchaser, and has been duly executed and delivered by Purchaser.

(c) Purchaser is an "accredited investor" as defined in Rule 501(a) of Regulation D of the Securities Act and has such knowledge and experience in business and financial matters that it is able to protect its own interests and evaluate the risks and benefits of entering into this Agreement and purchasing the Subject $5 Million Claim. Purchaser acknowledges and agrees that it has had an opportunity to conducts its own due diligence and consult with its own counsel, tax and financial advisors, and that Purchaser is not relying in that regard on Creditor. Purchaser acknowledges that (i) except as expressly set forth in Section 4 above, Creditor is not making any representations or warranties about the Claim, and (ii) Creditor is not making any representations or warranties about PEI.

(d) With respect to any Additional Claim that is purchased by Purchaser from Creditor following the exercise of an Option by Purchaser, the representations and warranties of Purchaser contained in sub-paragraphs (a) through (c) of this Section 5 shall be deemed to apply to the Additional Claim that is covered by the applicable Option Exercise Notice and to speak as of the date and time immediately before the purchase of such Additional Claim by Purchaser is consummated (so that, with respect to such Additional Claim, each reference to the "Subject $5 Million Claim" in sub-paragraphs (a) through (c) of this Section 5 instead shall be read as a reference to such Additional Claim).

6. Options to Sell Additional Claims

(a) Options; Exercise of Options. If (and only if) all of the conditions subsequent set forth in Section 2 above are met with respect to the Subject $5 Million Claim, then Creditor shall have successive options (each an "Option"), to be exercised at the sole and absolute discretion of Creditor, if at all, to sell, transfer and assign to Purchaser one or more Additional Claims (which may include any combination of principal, interest or reimbursable fees or expenses comprising part of the then-outstanding Indebtedness) in the amount of $5 million each (or, with respect to any Option exercise as to the last tranche after the outstanding Indebtedness has been paid down to below $5 million, the remaining amount of the outstanding Indebtedness). In order to exercise an Option, Creditor shall provide Purchaser with (i) written notice of its exercise of such Option, substantially in the form attached as Exhibit 2 (an "Option Exercise Notice"), specifically identifying the dollar amount of the Additional Claim covered by the Option Exercise Notice and specifically identifying what portion of such Additional Claim constitutes principal, what portion constitutes accrued and unpaid interest, and what portion constitutes reimbursable fees or expenses, and (ii) a new Purchase Agreement, substantially in the form attached as Exhibit 3 (a "New Purchase Agreement"), pertaining to such Additional Claim covered by such Option Exercise Notice (each of which can be provided by email or fax pursuant to Section 10 below).

(b) Purchase of One or More Additional Claims; Excluded Rights; Purchase Price. Upon any exercise of an Option by Creditor, Purchaser shall purchase from Creditor, and Creditor shall sell, transfer, convey and assign to Purchaser, for the consideration specified in the last sentence of this sub-paragraph (b), all right, title and interest in and to the Additional Claim covered by the applicable Option Exercise Notice, subject only to the conditions subsequent set forth in sub-paragraph (f) of this Section 1. It is expressly understood and agreed by the parties that such Additional Claim shall not include, and the Purchaser under this Agreement shall not be purchasing or otherwise obtaining, unless expressly included in such Additional Claim as described in the applicable Option Exercise Notice: (i) any rights under the Credit Enhancement Documents, which Creditor hereby expressly retains and preserves for its own benefit, (ii) any and all claims for accrued and unpaid interest owing to Creditor by PEI as of the date hereof under or in connection with the Note, including, without limitation, all accrued and unpaid interest on the Additional Claim as of the date of Purchaser's purchase of the Additional Claim, all of which claims are expressly retained and preserved by Creditor for its own benefit, and (iii) any and all claims of Creditor against PEI for reimbursable fees or expenses under or in connection with the Note, which are expressly retained and preserved by Creditor for its own benefit. As to each Additional Claim, the purchase price (the "New Purchase Price") shall be $5,000,000 or such lesser amount as may be specified in the applicable Option Exercise Notice.

(c) Counterpart Signatures on New Purchase Agreement; Notice of Filing of Action and Settlement Motion. With respect to any Additional Claim, no later than close of business on the third business day after Creditor has provided to Purchaser the Option Exercise Notice and New Purchase Agreement pertaining to such Additional Claim,

(i) Purchaser shall provide to Creditor such New Purchase Agreement executed by Purchaser as a party thereto (which can be provided by email or fax pursuant to Section 10 below),

(ii) Purchaser shall provide to Creditor a new "Acknowledgment by PEI" executed by PEI (which can be provided by email or fax pursuant to Section 10 below), similar in form to the "Acknowledgment by PEI" at the end of this Agreement but modified to refer to and reflect such Additional Claim and expressly stating that it is made and effective as of the Option Exercise Date and the New Payment Date with respect to such Additional Claim; and

(iii) Purchaser shall provide written notice to Creditor that (i) Purchaser has filed an action (the "New Action") against PEI in the Court for collection of such Additional Claim, specifying the date that the New Action was commenced (the "New Action Commencement Date"), and (ii) a motion in the New Action has been filed seeking Court approval of the settlement of the New Action on terms acceptable to Purchaser and in accordance with Section 3(a)(10) of the Securities Act of 1933, as amended (the "Applicable Settlement").

If the foregoing three items have not been provided by Purchaser to Creditor by the close of business on the third business day after the date Creditor has provided to Purchaser the Option Exercise Notice and New Purchase Agreement pertaining to such Additional Claim, then this Agreement shall be deemed void ab initio and of no further force or effect as to such Additional Claim, and no Option exercise with respect to such Additional Claim, or sale or assignment of such Additional Claim, shall have occurred or be deemed to have occurred.

(d) Court Approval Notice. With respect to any Additional Claim, Purchaser shall provide written notice to Creditor reasonably promptly after the Court has entered an order in form and substance acceptable to Purchaser approving the Applicable Settlement (such written notice being hereinafter referred to as the "New Court Approval Notice"). In all events and circumstances, if Purchaser has not provided the New Court Approval Notice by the close of business on the tenth business day after the New Action Commencement Date pertaining to such Additional Claim (regardless of whether Purchaser has simply overlooked providing such notice by such tenth business day, is not in a position to provide such notice by such tenth business day because the Court has not entered an order approving the Applicable Settlement by such tenth business day, or for any other reason in Purchaser's sole discretion Purchase has failed to timely provide the Court Approval Notice), then Creditor shall have the right to terminate and cancel this Agreement as to such Additional Claim by providing written notice of termination to Purchaser at any time prior to receiving the New Court Approval Notice from Purchaser. If such termination is so effected by Creditor, then this Agreement shall be deemed void ab initio and of no further force or effect as to such Additional Claim, and no Option exercise with respect to such Additional Claim, or sale or assignment of such Additional Claim, shall have occurred or be deemed to have occurred.

(e) Payment of New Purchase Price. As to any Additional Claim, if the applicable New Court Approval Notice is provided by Purchaser to Creditor before Creditor has exercised any termination right set forth in sub-paragraph (d) immediately above pertaining to such new Additional Claim, then no later than close of business on the second business day after the date such New Court Approval Notice is provided by Purchaser to Creditor, Purchaser shall pay the New Purchase Price to Creditor by wire transfer to Creditor pursuant to the same wire transfer instructions set forth in sub-paragraph (c) of Section 3 above (the date upon which the New Purchase Price has been so timely paid by Purchaser to Creditor being hereinafter referred to as the "New Payment Date"). If payment of the New Purchase Price is not so timely made by Purchaser to Creditor on the New Payment Date applicable to such Additional Claim, then Creditor shall have the right to terminate and cancel this Agreement as to such Additional Claim by providing written notice of termination to Purchaser at any time prior to payment of the New Purchase Price pertaining to such Additional Claim. If such termination is so effected by Creditor, then this Agreement shall be deemed void ab initio and of no further force or effect as to such Additional Claim, and no Option exercise with respect to such Additional Claim, or sale or assignment of such Additional Claim, shall have occurred or be deemed to have occurred.

(f) With respect to any Additional Claim, upon (and only upon) the occurrence of the following three conditions subsequent: (i) the three items specified in sub-paragraphs (i) through (iii) of sub-paragraph (c) of this Section 6 having been timely provided to Creditor by Purchaser pursuant to such sub-paragraph (c), (ii) the New Court Approval Notice pertaining to such Additional Claim having been provided by Purchaser to Creditor before Creditor has exercised any termination right pursuant to sub-paragraph (d) of this Section 6, and (iii) the payment to Creditor of the New Purchase Price for such Additional Claim before Creditor has exercised any termination right pursuant to sub-paragraph (e) of this Section 6,

(x) All conditions subsequent shall have been satisfied and the sale and assignment of such Additional Claim shall be complete and indefeasible; and

(y) Prior to the close of business on the second business day after the occurrence of the four conditions subsequent (as applied to such Additional Claim) described above in this sub-paragraph (f) of this Section 6, Creditor shall execute for the benefit of PEI and attach to the Note a new Allonge/Amendment to the Note, similar to the form of Exhibit 1 hereto but modified to reflect the correct principal reduction of the Note corresponding to the principal component of such Additional Claim as specified in the applicable Option Exercise Notice (a "New Allonge/Amendment"), attesting to the reduction of the principal amount of the Note by such amount on and as of the Payment Date, acknowledging the payment of any interest and reimbursable fees or expenses that were included in such Additional Claim (as specified in the applicable Option Exercise Notice), and preserving all other claims to accrued and unpaid interest and reimbursable fees or expenses. Creditor agrees that this sub-paragraph (y) is for the protection and benefit of PEI, and accordingly agrees that in the event that the conditions subsequent described above in this sub-paragraph (y) are satisfied with respect to an Additional Claim (including that the New Purchase Price for such Additional Claim is timely paid on the New Payment Date applicable to such Additional Claim), (A) Creditor will supply a copy of the executed New Allonge/Amendment to PEI promptly following its execution, and (B) Creditor's obligation to execute the New Allonge/Amendment and supply a copy thereof to PEI shall be enforceable by PEI as a third-party beneficiary of this provision.

(g) Creditor shall have no obligation whatsoever to exercise any Option, including, without limitation, any obligation to exercise any further Option after exercising one or more Options. The provisions of this Section 6 apply to any Additional Claim as to which an Option has been exercised by Creditor, in Creditor's sole and absolute discretion. Creditor has not agreed (and does not anywhere in this Agreement agree) to exercise any Option or any number of Options. Unless and until Creditor exercises an Option with respect to an Additional Claim by providing an Option Exercise Notice with respect to such Additional Claim, Creditor has in no way restricted itself from taking any action with respect to, or dealing with and treating with, such Additional Claim as Creditor sees fit in Creditor's sole discretion. In addition, Creditor's exercise of an option with respect to an Additional Claim shall in no way restrict Creditor from taking any action with respect to, or dealing with and treating with, all or any portion of the remainder of the outstanding the outstanding Indebtedness.

7. Fees and Expenses. Each of Creditor and Purchaser shall pay the fees and expenses of its own advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. Creditor understands that Purchaser shall not be liable for any commissions, selling expenses, orders, purchases, contracts, taxes, withholding, or obligations of any kind resulting from any of Creditor's transactions. Creditor agrees to satisfy any and all of its tax withholding and other obligations from the Purchase Price, and will indemnify, defend and hold Purchaser and its affiliates harmless with respect to all such obligations.

8. Choice of Law. This Agreement shall be governed by and construed according to the laws of the State of California, without giving effect to its choice of law principles. Creditor agrees that all actions and proceedings arising out of or relating directly or indirectly to this Agreement or any ancillary agreement or any other obligations shall be litigated solely and exclusively in the state or federal courts located in Los Angeles, California, that such courts are convenient forums, and that Creditor submits to the personal jurisdiction of such courts for purposes of any such actions or proceedings.

9. Limitation of Damages. Each of the parties hereby waives any right which it may have to claim or recover any incidental, special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. Purchaser shall have no liability hereunder for any delay in or failure to obtain Court Approval or any New Court Approval, or for any other causes beyond Purchaser's control.

10. Notices. All notices and other communications shall be in writing and shall be provided by the transmitting party to the recipient party by overnight delivery, facsimile transmission, e-mail or U.S. mail, as follows:

If to Purchaser:

Socius CG II, Ltd.
11150 Santa Monica Blvd., Suite 1500
Los Angeles, CA 90025
Att'n: Terren Peizer
Fax No.: (310) 444-5300
Email: info@sociuscg.com

with a copy to:

Luce Forward Hamilton & Scripps LLP
601 South Figueroa St., Suite 3900
Los Angeles, CA 90017
Att'n: John C. Kirkland, Esq.
Fax No.: (213) 452-8035
Email: jkirkland@luce.com

If to Creditor:

Lyles United, LLC
1210 W. Olive Ave.
Fresno, CA 93728
Att'n: Will Lyles
Fax No.: (559) 441-1290
Email: wlyles@ldico.com

with a copy to:

Howard Rice Nemerovski Canady Falk & Rabkin, P.C.
Three Embarcadero Center, 7th Floor
San Francisco, CA 94111
Att'n: Jeffrey L. Schaffer, Esq.
Fax No.: (415) 677-6262
Email: jschaffer@howardrice.com

All notices and communications shall be deemed made and effective as follows: (i) if transmitted for overnight (next-day) delivery via a nationally recognized overnight delivery service, the first business day after being delivered by the transmitting party to such overnight delivery service, provided that the overnight delivery service maintains a tracking number and can confirm to the transmitting party that delivery to the recipient party has occurred (and otherwise upon delivery to the recipient party), (ii) if faxed, when transmitted in legible form by facsimile machine to the recipient party's correct facsimile machine number (provided that the transmitting party has retained its facsimile machine-generated confirmation of the receipt of such fax by the recipient party's facsimile machine), (iii) if by email, when transmitted by e-mail (provided that the e-mail was sent to the recipient party's correct e-mail address and that the e-mail was not returned to the transmitting party as undeliverable), or (iv) if mailed via regular U.S. mail, upon delivery to the recipient party. Either party may designate a superseding notice contact name, street address, e-mail address or fax number by providing the other party with written notice pursuant to the provisions of this Section 10.

11. General. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. This Agreement is intended for the benefit of Creditor and Purchaser and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person (except for the provision in sub-paragraph (b) of Section 3 above and in subparagraph (y) of subparagraph (f) of Section 6 above that is expressly stated to be for the benefit of, and enforceable by, PEI). The representations and warranties contained herein shall survive the closing of the transaction contemplated herein and the assignment of the Subject $5 Million Claim or any Additional Claim, as applicable. This Agreement may be executed in two or more counterparts, by facsimile or electronic transmission, all of which when taken together shall be considered one original.

12. Amendments and Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by both Creditor and Purchaser, or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either Creditor or Purchaser to exercise any right hereunder in any manner impair the exercise of any such right.

13. Entire Agreement. This Agreement, together with the exhibits hereto, contains the entire agreement and understanding between Creditor and Purchaser, and supersedes all prior and contemporaneous agreements, term sheets, letters, discussions, communications and understandings, both oral and written, between Creditor and Purchaser concerning the sale and assignment of the Subject $5 Million Claim and any Additional Claim, as applicable, which Creditor and Purchaser acknowledge have been merged into this Agreement. No party, representative, attorney or agent has relied upon any collateral contract, agreement, assurance, promise, understanding or representation not expressly set forth hereinabove. The parties hereby expressly waive all rights and remedies, at law and in equity, directly or indirectly arising out of or relating to, or which may arise as a result of, any person or entity's reliance on any such assurance.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the day and year first above written.

PURCHASER:

SOCIUS CG II, LTD.,
a Bermuda exempted company

By: /S/ TERRY PEIZER
Terry Peizer, Managing Director

CREDITOR:

LYLES UNITED, LLC,
a Delaware limited liability company

By: /S/ W.M. LYLES IV
W. M. Lyles IV, Vice President

ACKNOWLEDGMENT BY PEI

PEI hereby acknowledges and agrees as follows:

(1) The recitals in Recital Paragraphs A, B and C on the first page of the foregoing Agreement are true and correct;

(2) The sale and assignment of the Subject $5 Million Claim only covers and includes $5,000,000 of principal amount of the Note, Creditor reserves and preserves all of its other claims and interests under or in connection with the Note (including, without limitation, all interest on such $5,000,000 principal amount that is accrued and unpaid as of immediately before the sale and assignment of the Subject $5 Million Claim pursuant to the foregoing Agreement), and Creditor's sale and assignment of the Subject $5 Million Claim does not and shall not in any way prejudice or have any adverse effect on such other claims and interests of Creditor under or in connection with the Note;

(3) The execution, delivery and performance of the foregoing Agreement by Creditor and Purchaser does not and will not (a) conflict with, violate or cause a breach or default under the Note, any of the Credit Enhancement Documents, or any other agreement or document related to the debt comprising the Subject $5 Million Claim, or (b) require any waiver, consent or other action of PEI or any affiliate of PEI;

(4) The Note is valid, outstanding and enforceable in accordance with its terms, and is not subject to any defense or offset, and shall not become subject to any defense or offset (other than reduction of the principal amount of the Note by $5 million when and as provided in sub-paragraph (b) of Paragraph 3 of the foregoing Agreement) by virtue of the consummation of the sale and assignment under the foregoing Agreement; and Creditor has, and shall continue to have after the consummation of the sale and assignment under the foregoing Agreement, a valid, enforceable and perfected security interest in and liens upon the property of PEI or any of its affiliates in which Creditor has been granted a security interest pursuant to any of the Credit Enhancement Documents to secure all outstanding obligations under the Note or any of the Credit Enhancement Documents; and

(5) Creditor is relying on the foregoing acknowledgments and agreements by PEI in entering into this Agreement and in selling and assigning the Subject $5 Million Claim, and Purchaser is relying on the foregoing acknowledgments and agreements by PEI in entering into this Agreement and in purchasing and taking assignment of the Subject $5 Million Claim.

PACIFIC ETHANOL, INC.,
a Delaware corporation

By: /S/ NEIL M. KOEHLER
Neil M. Koehler, Chief Executive Officer

EXHIBIT 1 (FORM OF ALLONGE/AMENDMENT NO. 1)

ALLONGE/AMENDMENT NO. 1 TO AMENDED AND RESTATED PROMISSORY NOTE

This Allonge/Amendment No. 1 To Amended And Restated Promissory Note ("this Allonge/Amendment") is made and entered into on and effective as of [fill in the Payment Date, as defined in the foregoing Purchase and Option Agreement] (the "Operative Date") with reference to the following facts:

A Pacific Ethanol, Inc., a Delaware corporation ("PEI"), is the maker of and Borrower under that certain Amended And Restated Promissory Note dated as of November 7, 2008 in the face principal amount of $30,000,000 (the "Note") payable to Lyles United, LLC, a Delaware limited liability company (the "Lender"); and

B. Lender, by its receipt of $5,000,000 from Socius CG II, Ltd., a Bermuda exempted company "the "Purchaser"), has consummated the sale and assignment to Purchaser of a claim for $5,000,000 of the $30,000,000 principal amount of the Note on and as of the Operative Date, and therefore enters into this Allonge/Amendment to evidence the reduction of the outstanding principal amount of the Note owing by PEI to Lender by $5,000,000, thereby reducing the outstanding principal amount of the Note owing by PEI to Lender from $30,000,000 to $25,000,000. Such sale and assignment by Lender to Purchaser expressly excluded (i) any accrued and unpaid interest, or any reimbursable fees or expenses owing under the Note as of immediately before the Operative Date, and accordingly all such accrued and unpaid interest and any such fees or expenses are unaffected by such sale/assignment to Purchaser, and remain owing to Lender under the Note, and (ii) any and all security interests or other credit enhancements in favor of Lender in connection with the Note, and accordingly all such security interests and any other credit enhancements granted to Lender in connection with the Note are unaffected by such sale/assignment to Purchaser and remain the sole property rights and interests of Lender.

NOW THEREFORE, for good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, Borrower and Lender hereby agree as follows:

1. As of the Operative Date, the outstanding principal balance of the Note owing from PEI to Lender is reduced from Thirty Million Dollars ($30,000,000) to Twenty-Five Million Dollars ($25,000,000).

2. Any and all accrued and unpaid interest and any reimbursable fees or expenses under the Note as of immediately before the Operative Date (including accrued and unpaid interest on the full $30,000,000 original face principal amount of the Note) remains due and payable to Lender under the Note and is not affected by (i) the above-described assignment and sale, or (ii) the reduction of the principal amount of the Note to $25,000,000 as of the Operative Date. From on and after the Operative Date, interest on and under the Note in favor of Lender shall accrue on the reduced (i.e., $25,000,000) principal amount of the Note in favor of Lender.

3. Except as expressly set forth in this Allonge/Amendment, all terms and conditions of the Note shall remain in full force and effect. Without limiting the generality of the foregoing, this Allonge/Amendment does not encompass or constitute a waiver of any outstanding default under the Note or any type of extension of the maturity date or any payment due date under the Note.

4. On and effective as of the Operative Date, this Allonge/Amendment shall be attached to the Note and shall be deemed an integral part of the Note.

BORROWER:

PACIFIC ETHANOL, INC.,
a Delaware corporation

By:
Its:_____

LENDER:

LYLES UNITED, LLC,
a Delaware limited liability company

By:
Its:_____

EXHIBIT 2 (FORM OF OPTION EXERCISE NOTICE)

OPTION EXERCISE NOTICE

Reference is made to that certain Purchase and Option Agreement by and between Socius CG II, Ltd., a Bermuda exempted company ("Purchaser") and Lyles United, LLC, a Delaware limited liability company ("Creditor"), dated as of March 2, 2010 (the "Agreement"). All capitalized words and terms used herein shall have the meanings ascribed to them in the Purchase Agreement.

1. This Option Exercise Notice is made and executed by Creditor on _____ pursuant to Section 6 of the Agreement.

2. Creditor hereby exercises an Option with respect to the following portion of the Indebtedness outstanding as of the date hereof:

a.	Principal:	$ _____
b.	Accrued and Unpaid Interest:	$ _____
c.	Reimbursable Fees or Expenses:	$ _____
	TOTAL:	$ 5,000,000.00*

3. The portion of the outstanding Indebtedness set forth in Section 2 above is the Additional Claim that is the subject of and covered by this Option Exercise Notice ("the Subject Claim").

4. By this Option Exercise Notice, Creditor hereby elects and exercises its option to sell, transfer, convey and assign to Purchaser all of Creditor's right, title and interest to the Subject Claim (subject to the satisfaction of the conditions subsequent set forth in Section 6 of the Purchase Agreement), and provides to Purchaser herewith a New Purchase Agreement pertaining to the Subject Claim.

LYLES UNITED, LLC,
a Delaware limited liability company

By:
Its:_____

* The Additional Claim covered by each Option and corresponding Option Exercise Notice will be $5,000,000 except for the final Option that may be exercised and corresponding Option Exercise Notice that may be generated when the then-outstanding Indebtedness is less than $5,000,000, in which final case the amount of the Additional Claim will be the amount of the then-outstanding Indebtedness.

EXHIBIT 3 (FORM OF NEW PURCHASE AGREEMENT)

PURCHASE AGREEMENT

This Purchase Agreement ("Agreement") is entered into as of [ ], 2010, by and between Socius CG II, Ltd., a Bermuda exempted company ("Purchaser"), and Lyles United, LLC, a Delaware limited liability company ("Creditor"), and, as to the Acknowledgment at the end of this Agreement, by Pacific Ethanol, Inc., a Delaware corporation ("PEI").

RECITALS

A. Purchaser and Creditor are parties to (and PEI has executed the "Acknowledgment By PEI" with respect to) that certain Purchase and Option Agreement dated as of March 2, 2010 (the "Master Agreement"); except as otherwise expressly stated herein, all capitalized words and terms used herein have the meanings ascribed to them in the Master Agreement;

B. PEI is indebted to Creditor pursuant to the terms of that certain Amended and Restated Promissory Note, payable to Creditor, dated November 7, 2008, in the principal amount of $30,000,000 (the "Note").

C. The obligations of PEI to Creditor under the Note are secured and/or credit enhanced by the terms of (i) that certain Security Agreement dated as of November 7, 2008 between Pacific Ag. Products, LLC, a California limited liability company and indirectly wholly-owned subsidiary of PEI, and Creditor (the "Security Agreement"), (ii) that certain Irrevocable Joint Instruction Letter dated November 7, 2008 among PEI, Pacific Ethanol California, Inc., a California corporation and wholly-owned subsidiary of PEI, and Creditor (the "Instruction Letter"), (iii) that certain Unconditional Guaranty dated November 7, 2008 by Pacific Ag. Products, LLC in favor of Creditor (the "PacAg Guaranty"), and (iv) that certain Limited Recourse Guaranty dated November 7, 2008 by Pacific Ethanol California, Inc. in favor of Creditor (the "PEC Guaranty") (the Security Agreement, Instruction Letter, PacAg Guaranty and PEC Guaranty hereinafter are collectively referred to as the "Credit Enhancement Documents").

D. As of the date of this Agreement, PEI is in default under the Note, and is indebted to Creditor for unpaid principal in the amount of $_____. PEI is also indebted to Creditor for accrued and unpaid interest, late fees and costs, and reimbursable fees or expenses related to the Note and the defaults thereunder, for a total amount due and payable by PEI to Creditor of $_____ (consisting of $_____ principal amount, plus $_____in unpaid interest accrued through _____, plus _____ in reimbursable fees or expenses as of the date hereof (such total amount, plus all additional interest that accrues on the unpaid principal balance under the Note on and after _____, being collectively referred to herein as the "Indebtedness").

E. Pursuant to Section 6 of the Master Agreement, Creditor has exercised an Option to sell, transfer and assign to Purchaser its right to receive payment on a portion of the Indebtedness, which portion is specified in the Option Exercise Notice provided by Creditor to Purchaser herewith (such portion of the Indebtedness being hereinafter referred to as the "Subject Claim"). Pursuant to such exercise by Creditor, Purchaser desires to purchase the Subject Claim, all subject to the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Purchase and Sale of Subject Claim; Excluded Rights: Purchase Price.

(a) Upon the terms of this Agreement and subject only to the conditions subsequent set forth in Section 2 below, Purchaser hereby purchases from Creditor, and Creditor hereby sells, transfers, conveys and assigns to Purchaser, for the consideration specified below, all right, title and interest in and to the Subject Claim. It is expressly understood and agreed by the parties that the Subject Claim does not include, and the Purchaser under this Agreement is not purchasing or otherwise obtaining, (i) any rights under the Credit Enhancement Documents, which Creditor hereby expressly retains and preserves for its own benefit, (ii) except to the extent (if at all) expressly made part of the Subject Claim pursuant to the specific described components of the Subject Claim set forth in the Option Exercise Notice, any and all claims for accrued and unpaid interest owing to Creditor by PEI as of the date hereof under or in connection with the Note, including, without limitation, all accrued and unpaid interest on the Subject Claim as of the date hereof, all of which claims are expressly retained and preserved by Creditor for its own benefit, and (iii) except to the extent (if at all) expressly made part of the Subject Claim pursuant to the specific described components of the Subject Claim set forth in the Option Exercise Notice, any and all claims of Creditor against PEI for reimbursable fees or expenses under or in connection with the Note, which are expressly retained and preserved by Creditor for its own benefit.

(b) The total consideration to be paid by Purchaser to Creditor for the Subject Claim shall be [Five Million Dollars ($5,000,000)][1] (the "Purchase Price"). The Purchase Price shall be due and payable by Purchaser to Creditor by wire transfer on the date set forth in sub-paragraph (b) of Section 2 below.

2. Conditions Subsequent.

(a) Notice of Filing of Action and Settlement Motion. No later than close of business on the third business day after the date of this Agreement, Purchaser shall provide written notice to Creditor that (i) Purchaser has filed an action (the "Action") against PEI in the Superior Court of the State of California for the County of Los Angeles (the "Court") for collection of the Subject Claim, specifying the date that the Action was commenced (the "Action Commencement Date"), and (ii) a motion in the Action has been filed seeking Court approval of the settlement of the Action on terms acceptable to Purchaser and in accordance with Section 3(a)(10) of the Securities Act of 1933, as amended (the "Settlement"). If such written notice is not provided by Purchaser to Creditor by the close of business on the third business day after the date of this Agreement, then this Agreement (including, without limitation, the provisions in the remainder of this Section 2) shall be deemed void ab initio and of no further force or effect, and no sale or assignment of the Subject Claim shall have occurred or be deemed to have occurred.

(b) Court Approval Notice. Purchaser shall provide written notice to Creditor reasonably promptly after the Court has entered an order in form and substance acceptable to Purchaser approving the Settlement (such written notice being hereinafter referred to as the "Court Approval Notice"). In all events and circumstances, if Purchaser has not provided the Court Approval Notice by the close of business on the tenth business day after the Action Commencement Date (regardless of whether Purchaser has simply overlooked providing such notice by such tenth business day, is not in a position to provide such notice by such tenth business day because the Court has not entered an order approving the Settlement by such tenth business day, or for any other reason in Purchaser's sole discretion Purchase has failed to timely provide the Court Approval Notice), then Creditor shall have the right to terminate and cancel this Agreement by providing written notice of termination to Purchaser at any time prior to receiving the Court Approval Notice from Purchaser. If such termination is so effected by Creditor, then this Agreement shall be deemed void ab initio and of no further force or effect, and no sale or assignment of the Subject Claim shall have occurred or be deemed to have occurred.

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1 The Subject Claim and the Purchase Price thereof will be $5,000,000 except for the final Option that may be exercised and corresponding Option Exercise Notice that may be generated when the then-outstanding Indebtedness is less than $5,000,000, in which final case the amount of the Subject Claim and the Purchase Price thereof will be the amount of the then-outstanding Indebtedness.

(c) Payment of Purchase Price. If the Court Approval Notice is provided by Purchaser to Creditor before Creditor has exercised any termination right set forth in sub-paragraph (b) immediately above, then no later than close of business on the second business day after the date the Court Approval Notice is provided by Purchaser to Creditor, Purchaser shall pay the Purchase Price to Creditor by wire transfer pursuant to the wire transfer instructions set forth in sub-paragraph (c) of Section 2 of the Master Agreement, as the same may be amended or superseded by Creditor from time to time by written notice pursuant to Section 10 of the Master Agreement (the date upon which the Purchase Price has been so timely paid by Purchaser to Creditor being hereinafter referred to as the "Payment Date").

If payment of the Purchase Price is not so timely made by Purchaser to Creditor on the Payment Date, then Creditor shall have the right to terminate and cancel this Agreement by providing written notice of termination to Purchaser at any time prior to payment of the Purchase Price. If such termination is so effected by Creditor, then this Agreement shall be deemed void ab initio and of no further force or effect, and no sale or assignment of the Subject Claim shall have occurred or be deemed to have occurred.

3. Upon (and only upon) the occurrence of the following four conditions subsequent: (i) the items specified in sub-paragraphs (i) and (ii) of subparagraph (c) of Section 6 of the Master Agreement, as such items pertain to this Agreement, having been timely provided by Purchaser to Creditor, (ii) written notice of the Action Commencement Date and of the filing of the motion for Court approval of the Settlement having been timely provided to Creditor by Purchaser pursuant to sub-paragraph (a) of Section 2 above, (iii) the Court Approval Notice having been provided by Purchaser to Creditor before Creditor has exercised any termination right pursuant to sub-paragraph (b) of Section 2 above, and (iv) the payment of the Purchase Price to Creditor before Creditor has exercised any termination right pursuant to sub-paragraph (c) of Paragraph 2 above,

(a) All conditions subsequent shall have been satisfied and the sale and assignment of the Subject Claim shall be complete and indefeasible, and

(b) Prior to the close of business on the second business day after the occurrence of the four conditions subsequent described above in this Section 3, Creditor shall take the actions set forth in sub-paragraph (y) of sub-paragraph (f) of Section 6 of the Master Agreement with respect to a New Allonge/Amendment that gives effect to the consummation of the sale and assignment of the Subject Claim to Purchaser.

4. Representations and Warranties of Creditor. The representations and warranties made by Creditor to Purchaser in Section 4 of the Master Agreement shall apply to this Agreement as set forth in sub-paragraph (f) of Section 4 of the Master Agreement.

5. Representations and Warranties of Purchaser. The representations and warranties made by Purchaser to Creditor in Section 5 of the Master Agreement shall apply to this Agreement as set forth in sub-paragraph (d) of Section 5 of the Master Agreement.

6. Fees and Expenses. Each of Creditor and Purchaser shall pay the fees and expenses of its own advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. Creditor understands that Purchaser shall not be liable for any commissions, selling expenses, orders, purchases, contracts, taxes, withholding, or obligations of any kind resulting from any of Creditor's transactions. Creditor agrees to satisfy any and all of its tax withholding and other obligations from the Purchase Price, and will indemnify, defend and hold Purchaser and its affiliates harmless with respect to all such obligations.

7. Choice of Law. This Agreement shall be governed by and construed according to the laws of the State of California, without giving effect to its choice of law principles. Creditor agrees that all actions and proceedings arising out of or relating directly or indirectly to this Agreement or any ancillary agreement or any other obligations shall be litigated solely and exclusively in the state or federal courts located in Los Angeles, California, that such courts are convenient forums, and that Creditor submits to the personal jurisdiction of such courts for purposes of any such actions or proceedings.

8. Limitation of Damages. Each of the parties hereby waives any right which it may have to claim or recover any incidental, special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. Purchaser shall have no liability hereunder for any delay in or failure to obtain Court Approval or for any other causes beyond Purchaser's control.

9. Notices. All notices and other communications under this Agreement shall be provided as set forth in Section 10 of the Master Agreement.

10. General. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. This Agreement is intended for the benefit of Creditor and Purchaser and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person (except for the provision in sub-paragraph (b) of Section 3 above that is expressly stated to be for the benefit of, and enforceable by, PEI). The representations and warranties contained herein shall survive the closing of the transaction contemplated herein and the assignment of the Subject Claim. This Agreement may be executed in two or more counterparts, by facsimile or electronic transmission, all of which when taken together shall be considered one original.

11. Amendments and Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by both Creditor and Purchaser, or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either Creditor or Purchaser to exercise any right hereunder in any manner impair the exercise of any such right.

12. Entire Agreement. This Agreement and the Master Agreement, together with the exhibits hereto and thereto, contain the entire agreement and understanding between Creditor and Purchaser, and supersede all prior and contemporaneous agreements, term sheets, letters, discussions, communications and understandings, both oral and written, between Creditor and Purchaser concerning the sale and assignment of the Subject Claim, which Creditor and Purchaser acknowledge have been merged herein and therein. (To avoid any unintended ambiguity, the parties expressly acknowledge and agreement that this Agreement, although later in point in time than the Master Agreement, does not supersede the Master Agreement.) No party, representative, attorney or agent has relied upon any collateral contract, agreement, assurance, promise, understanding or representation not expressly set forth hereinabove. The parties hereby expressly waive all rights and remedies, at law and in equity, directly or indirectly arising out of or relating to, or which may arise as a result of, any person or entity's reliance on any such assurance.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the day and year first above written.

PURCHASER:

SOCIUS CG II, LTD.,
a Bermuda exempted company

By:_____

Its:_____

CREDITOR:

LYLES UNITED, LLC,
a Delaware limited liability company

By:_____

Its:_____

(Form of Acknowledgment By PEI for New Purchase Agreement)

ACKNOWLEDGMENT BY PEI

PEI hereby acknowledges and agrees as follows as of the Action Commencement Date (as defined in the foregoing Agreement) and as of the Payment Date (as defined in the foregoing Agreement):

(1) The recitals in Recital Paragraphs A, B, C and D on the first page of the foregoing Agreement are true and correct;

(2) The sale and assignment of the Subject Claim only covers and includes $_____, Creditor reserves and preserves all of its other claims and interests under or in connection with the Note, and Creditor's sale and assignment of the Subject Claim does not and shall not in any way prejudice or have any adverse effect on such other claims and interests of Creditor under or in connection with the Note;

(3) The execution, delivery and performance of the foregoing Agreement by Creditor and Purchaser does not and will not (a) conflict with, violate or cause a breach or default under the Note, any of the Credit Enhancement Documents, or any other agreement or document related to the debt comprising the Subject Claim, or (b) require any waiver, consent or other action of PEI or any affiliate of PEI;

(4) The Note is valid, outstanding and enforceable in accordance with its terms, and is not subject to any defense or offset, and shall not become subject to any defense or offset (other than reduction of the Indebtedness by the amount of the Subject Claim when and as provided in sub-paragraph (b) of Paragraph 3 of the foregoing Agreement) by virtue of the consummation of the sale and assignment under the foregoing Agreement; and Creditor has, and shall continue to have after the consummation of the sale and assignment under the foregoing Agreement, a valid, enforceable and perfected security interest in and liens upon the property of PEI or any of its affiliates in which Creditor has been granted a security interest pursuant to any of the Credit Enhancement Documents to secure all outstanding obligations under the Note or any of the Credit Enhancement Documents; and

(5) Creditor is relying on the foregoing acknowledgments and agreements by PEI in entering into the foregoing Agreement and in selling and assigning the Subject Claim, and Purchaser is relying on the foregoing acknowledgments and agreements by PEI in entering into the foregoing Agreement and in purchasing and taking assignment of the Subject Claim.

PACIFIC ETHANOL, INC.,
a Delaware corporation

By:_____

Its:_____

EXHIBIT 99.2

OPTION/PURCHASE AGREEMENT

This Option/Purchase Agreement ("Agreement") is entered into as of March 2, 2010, by and between Socius CG II, Ltd., a Bermuda exempted company ("Purchaser"), and Lyles Mechanical Co., a California corporation ("Creditor"), and, as to the Acknowledgment at the end of this Agreement, by Pacific Ethanol, Inc., a Delaware corporation ("PEI").

RECITALS

F. PEI is indebted to Creditor pursuant to the terms of that certain Promissory Note (Final Payment), payable to Creditor, dated October 20, 2008. in the principal amount of $1,500,000 (the "Note").

G. As of the date of this Agreement, PEI is in default under the Note. PEI is also indebted to Creditor for accrued and unpaid interest, for a total amount due and payable by PEI to Creditor of $1,733,920 (consisting of $1,500,000 principal amount, plus $233,920 in unpaid interest accrued through February 28, 2010) as of the date hereof (such total amount, plus all additional interest that accrues on the unpaid principal balance under the Note on and after February 28, 2010, being collectively referred to herein as the "Indebtedness").

H. Creditor and Purchase desire Creditor to have the option in the future, to be exercised at the sole and absolute discretion of Creditor, if at all, to sell, transfer and assign to Purchaser the right of Creditor to receive payment of all of the Indebtedness (the "Indebtedness Claim") for a purchase price equal to the full amount of the Indebtedness Claim (the "Purchase Price"). If such option is exercised by Creditor in its sole and absolute discretion, then Purchaser desires to purchase the Indebtedness Claim, all subject to the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Option to Sell Indebtedness Claim

(a) Option; Exercise of Option. Creditor shall have the option (the "Option"), to be exercised at the sole and absolute discretion of Creditor, if at all, to sell, transfer and assign to Purchaser the Indebtedness Claim. In order to exercise the Option, Creditor shall provide Purchaser with written notice of its exercise of such Option, substantially in the form attached as Exhibit 1 (the "Option Exercise Notice"), specifically identifying the dollar amount of the principal and accrued and unpaid interest constituting the Indebtedness Claim as of the Option Exercise Notice date.

(b) Purchase of the Indebtedness Claim; Excluded Rights; Purchase Price. Upon the exercise of the Option by Creditor, Purchaser shall purchase from Creditor, and Creditor shall sell, transfer, convey and assign to Purchaser, for the consideration specified in the last sentence of this sub-paragraph (b), all right, title and interest in and to the Indebtedness Claim as specified in the Option Exercise Notice, subject to the conditions subsequent set forth below. It is expressly understood and agreed by the parties that the Indebtedness Claim shall not include, and the Purchaser under this Agreement shall not be purchasing or otherwise obtaining, unless expressly included in the Indebtedness Claim as described in the Option Exercise Notice, any rights of Creditor against PEI that do not arise under the Note, which Creditor hereby expressly retains and preserves for its own benefit.

(c) Notice of Filing of Action and Settlement Motion. No later than close of business on the third business day after Creditor has provided to Purchaser the Option Exercise Notice, Purchaser shall provide written notice to Creditor that (i) Purchaser has filed an action (the "Action") against PEI in the Superior Court of the State of California in and for the County of Los Angeles (the "Court") for collection of the Indebtedness Claim, specifying the date that the Action was commenced (the "Action Commencement Date"), and (ii) a motion in the Action has been filed seeking Court approval of the settlement of the Action on terms acceptable to Purchaser and in accordance with Section 3(a)(10) of the Securities Act of 1933, as amended (the "Settlement"). If such written notice is not provided by Purchaser to Creditor by the close of business on the third business day after the date Creditor has provided to Purchaser the Option Exercise Notice, then this Agreement shall be deemed void ab initio and of no further force or effect, and no Option exercise with respect to the Indebtedness Claim, or sale or assignment of the Indebtedness Claim, shall have occurred or be deemed to have occurred.

(d) Court Approval Notice. Purchaser shall provide written notice to Creditor reasonably promptly after the Court has entered an order in form and substance acceptable to Purchaser approving the Settlement (such written notice being hereinafter referred to as the "Court Approval Notice"). In all events and circumstances, if Purchaser has not provided the Court Approval Notice by the close of business on the tenth business day after the Action Commencement Date pertaining to the Indebtedness Claim (regardless of whether Purchaser has simply overlooked providing such notice by such tenth business day, is not in a position to provide such notice by such tenth business day because the Court has not entered an order approving the Applicable Settlement by such tenth business day, or for any other reason in Purchaser's sole discretion Purchaser has failed to timely provide the Court Approval Notice), then Creditor shall have the right to terminate and cancel this Agreement by providing written notice of termination to Purchaser at any time prior to receiving the Court Approval Notice from Purchaser. If such termination is so effected by Creditor, then this Agreement shall be deemed void ab initio and of no further force or effect, and no Option exercise with respect to the Indebtedness Claim, or sale or assignment of the Indebtedness Claim, shall have occurred or be deemed to have occurred.

(e) Payment of Purchase Price. If the Court Approval Notice is provided by Purchaser to Creditor before Creditor has exercised any termination right set forth in sub-paragraph (d) immediately above, then no later than close of business on the second business day after the date the Court Approval Notice is provided by Purchaser to Creditor, Purchaser shall pay the Purchase Price to Creditor by wire transfer to Creditor pursuant to the following wire transfer instructions (the date upon which the Purchase Price has been so timely paid by Purchaser to Creditor being hereinafter referred to as the "Payment Date");

Wire To:

Citibank (West) FSB
2303 Kern St.
Fresno, CA 93721

ABA #: xxx xxx xxx

Account Party:	Lyles Mechanical Co. 1210 W. Olive Ave. Fresno, CA 93744
Account #:	xxxx xxxxx
Contact:	Ponnie Davis
Phone #:	(559) 447-7420

If payment of the Purchase Price is not so timely made by Purchaser to Creditor on the Payment Date, then Creditor shall have the right to terminate and cancel this Agreement by providing written notice of termination to Purchaser at any time prior to payment of the Purchase Price. If such termination is so effected by Creditor, then this Agreement shall be deemed void ab initio and of no further force or effect, and no Option exercise with respect to the Indebtedness Claim, or sale or assignment of the Indebtedness Claim, shall have occurred or be deemed to have occurred.

(f) Satisfaction of Conditions Subsequent. Upon (and only upon) the occurrence of the following four conditions subsequent: (i) the written notice of the Action Commencement Date and of the filing of the motion for Court approval of the Settlement having been timely provided to Creditor by Purchaser pursuant to sub-paragraph (c) of this Section 1, (ii) the Court Approval Notice having been provided by Purchaser to Creditor before Creditor has exercised any termination right pursuant to sub-paragraph (d) of this Section 1, (iii) PEI has provided to Creditor a new executed "Acknowledgment by PEI," similar to the "Acknowledgment by PEI" at the end of this Agreement but updated to speak as of the Option Exercise Date and the date that the conditions subsequent described in this sub-paragraph (f) are satisfied; and (iv) the payment to Creditor of the Purchase Price before Creditor has exercised any termination right pursuant to sub-paragraph (e) of this Section 1,

(x) All conditions subsequent shall have been satisfied and the sale and assignment of the Indebtedness Claim shall be complete and indefeasible; and

(y) Prior to the close of business on the second business day after the occurrence of the four conditions subsequent described above in this sub-paragraph (f) of this Section 1, Creditor shall deliver the Note to Purchaser endorsed over to Purchaser along with a signed legend that "All claims to principal and interest and any other amount hereunder have been sold and assigned to Purchaser"; and Purchaser, prior to the close of business on the second business day after its receipt of the Note, shall deliver the Note to PEI marked "CANCELLED; PAID IN FULL PURSUANT TO CONSUMMATION OF SETTLEMENT WITH PEI". Each of Creditor and Purchaser agrees that its respective obligation under sub-paragraph (y) is for the protection and benefit of PEI, and accordingly agrees that in the event that the conditions subsequent described above in this sub-paragraph (y) are satisfied with respect to the Indebtedness Claim including that the Purchase Price is timely paid on the Payment Date), (A) Creditor's obligation to deliver the Note to Purchaser with the above-specified legend shall be enforceable by PEI as a third-party beneficiary of this provision, and (B) Purchaser's obligation to deliver the Note to Purchaser with the above-specified cancellation marking shall be enforceable by PEI as a third-party beneficiary of this provision.

(g) Creditor shall have no obligation whatsoever to exercise the Option. This Agreement applies only to the Indebtedness Claim if and when the Option is ever exercised, in Creditor's sole and absolute discretion. Creditor has not agreed (and does not anywhere in this Agreement agree) to exercise the Option, and unless and until Creditor exercises the Option, Creditor has in no way restricted itself from taking any action with respect to, or dealing with and treating with, the Indebtedness and/or the Note as Creditor sees fit in Creditor's sole and absolute discretion.

2. Representations and Warranties of Creditor. Upon any exercise of the Option by Creditor in Creditor's sole and absolute discretion by Creditor providing the Option Exercise Notice to Purchaser, Creditor automatically shall be deemed to represent and warrant to Purchaser as follows as of the date of the Option Exercise Notice:

(a) Creditor is the owner of the Indebtedness Claim, free and clear of all liens and encumbrances. Creditor has not previously transferred, encumbered or released all or any part of the Indebtedness Claim.

(b) Creditor will at all times promptly withhold and pay any federal, state, local or foreign taxes legally due and payable by Creditor as a result of payment of the Purchase Price, including without limitation all income taxes, self employment taxes and foreign entity withholding taxes.

(c) Creditor has all necessary power and authority to (i) execute, deliver and perform all of its obligations under this Agreement, and (ii) sell and transfer the Indebtedness Claim. Creditor has such knowledge and experience in business and financial matters that it is able to protect its own interests and evaluate the risks and benefits of entering into this Agreement. Creditor acknowledges and agrees that it has had an opportunity to conducts its own due diligence and consult with its own counsel, tax and financial advisors, and that Creditor is not relying in that regard on Purchaser. Creditor acknowledges that except as expressly set forth in Section 3 below, Purchaser is not making any representations or warranties, including, without limitation, about PEI.

(d) The execution, delivery and performance of this Agreement by Creditor has been duly authorized by all requisite action on the part of Creditor, and has been duly executed and delivered by Creditor.

(e) Except as expressly stated herein, Creditor is not, directly or indirectly, receiving any consideration from or being compensated in any manner by, and will not at any time in the future accept any consideration or compensation from, PEI, any affiliate of PEI, or any other person for entering into this Agreement or selling the Indebtedness Claim.

3. Representations and Warranties of Purchaser. Upon any exercise of the Option by Creditor in Creditor's sole and absolute discretion by Creditor providing the Option Exercise Notice to Purchase, Purchaser automatically shall be deemed to represent and warrant to Creditor as follows as of the date of the Option Exercise Notice:

(a) Purchaser has all necessary power and authority to execute, deliver and perform all of its obligations under this Agreement.

(b) The execution, delivery and performance of this Agreement by Purchaser has been duly authorized by all requisite action on the part of Purchaser, and has been duly executed and delivered by Purchaser.

(c) Purchaser is an "accredited investor" as defined in Rule 501(a) of Regulation D of the Securities Act and has such knowledge and experience in business and financial matters that it is able to protect its own interests and evaluate the risks and benefits of entering into this Agreement and purchasing the Indebtedness Claim. Purchaser acknowledges and agrees that it has had an opportunity to conducts its own due diligence and consult with its own counsel, tax and financial advisors, and that Purchaser is not relying in that regard on Creditor. Purchaser acknowledges that (i) except as expressly set forth in Section 2 above, Creditor is not making any representations or warranties about the Indebtedness Claim, and (ii) Creditor is not making any representations or warranties about PEI.

4. Fees and Expenses. Each of Creditor and Purchaser shall pay the fees and expenses of its own advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. Creditor understands that Purchaser shall not be liable for any commissions, selling expenses, orders, purchases, contracts, taxes, withholding, or obligations of any kind resulting from any of Creditor's transactions. Creditor agrees to satisfy any and all of its tax withholding and other obligations from the Purchase Price, and will indemnify, defend and hold Purchaser and its affiliates harmless with respect to all such obligations.

5. Choice of Law. This Agreement shall be governed by and construed according to the laws of the State of California, without giving effect to its choice of law principles. Creditor agrees that all actions and proceedings arising out of or relating directly or indirectly to this Agreement or any ancillary agreement or any other obligations shall be litigated solely and exclusively in the state or federal courts located in Los Angeles, California, that such courts are convenient forums, and that Creditor submits to the personal jurisdiction of such courts for purposes of any such actions or proceedings.

6. Limitation of Damages. Each of the parties hereby waives any right which it may have to claim or recover any incidental, special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. Purchaser shall have no liability hereunder for any delay in or failure to obtain Court Approval, or for any other causes beyond Purchaser's control.

7. Notices. All notices and other communications shall be in writing and shall be provided by the transmitting party to the recipient party by overnight delivery, facsimile transmission, e-mail or U.S. mail, as follows:

If to Purchaser:

Socius CG II, Ltd.
11150 Santa Monica Blvd., Suite 1500
Los Angeles, CA 90025
Att'n: Terren Peizer
Fax No.: (310) 444-5300
Email: info@sociuscg.com

with a copy to:

Luce Forward Hamilton & Scripps LLP
601 South Figueroa St., Suite 3900
Los Angeles, CA 90017
Att'n: John C. Kirkland, Esq.
Fax No.: (213) 452-8035
Email: jkirkland@luce.com

If to Creditor:

Lyles Mechanical Co.
1210 W. Olive Ave.
Fresno, CA 93728
Att'n: Will Lyles
Fax No.: (559) 441-1290
Email: wlyles@ldico.com

with a copy to:

Howard Rice Nemerovski Canady Falk & Rabkin, P.C.
Three Embarcadero Center, 7th Floor
San Francisco, CA 94111
Att'n: Jeffrey L. Schaffer, Esq.
Fax No.: (415) 677-6262
Email: jschaffer@howardrice.com

All notices and communications shall be deemed made and effective as follows: (i) if transmitted for overnight (next-day) delivery via a nationally recognized overnight delivery service, the first business day after being delivered by the transmitting party to such overnight delivery service, provided that the overnight delivery service maintains a tracking number and can confirm to the transmitting party that delivery to the recipient party has occurred (and otherwise upon delivery to the recipient party), (ii) if faxed, when transmitted in legible form by facsimile machine to the recipient party's correct facsimile machine number (provided that the transmitting party has retained its facsimile machine-generated confirmation of the receipt of such fax by the recipient party's facsimile machine), (iii) if by email, when transmitted by e-mail (provided that the e-mail was sent to the recipient party's correct e-mail address and that the e-mail was not returned to the transmitting party as undeliverable), or (iv) if mailed via regular U.S. mail, upon delivery to the recipient party. Either party may designate a superseding notice contact name, street address, e-mail address or fax number by providing the other party with written notice pursuant to the provisions of this Section 7.

8. General. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. This Agreement is intended for the benefit of Creditor and Purchaser and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person (except for the provisions in subparagraph (y) of subparagraph (f) of Section 1 above that are expressly stated to be for the benefit of, and enforceable by, PEI). If the Option is exercised by Creditor in its sole and absolute discretion, the representations and warranties contained herein shall survive. This Agreement may be executed in two or more counterparts, by facsimile or electronic transmission, all of which when taken together shall be considered one original.

9. Amendments and Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by both Creditor and Purchaser, or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either Creditor or Purchaser to exercise any right hereunder in any manner impair the exercise of any such right.

10. Entire Agreement. This Agreement, together with the exhibits hereto, contains the entire agreement and understanding between Creditor and Purchaser, and supersedes all prior and contemporaneous agreements, term sheets, letters, discussions, communications and understandings, both oral and written, between Creditor and Purchaser concerning the Indebtedness claim, which Creditor and Purchaser acknowledge have been merged into this Agreement. No party, representative, attorney or agent has relied upon any collateral contract, agreement, assurance, promise, understanding or representation not expressly set forth hereinabove. The parties hereby expressly waive all rights and remedies, at law and in equity, directly or indirectly arising out of or relating to, or which may arise as a result of, any person or entity's reliance on any such assurance.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the day and year first above written.

PURCHASER:

SOCIUS CG II, LTD.,
a Bermuda exempted company

By: /S/ TERRY PEIZER
Terry Peizer, Managing Director

CREDITOR:

LYLES MECHANICAL CO.,
a California corporation

By: /S/ JOHN LEONARDO
John Leonardo, Assistant Treasurer and Secretary

ACKNOWLEDGMENT BY PEI

PEI hereby acknowledges and agrees as follows:

(1) The recitals in Recital Paragraphs A and B on the first page of the foregoing Agreement are true and correct;

(2) The sale and assignment of the Indebtedness Claim does not cover any rights of Creditor against PEI that do not arise under the Note, and neither Creditor's entering into the foregoing Agreement nor possible future sale and assignment of the Indebtedness Claim hereunder shall in any way prejudice or have any adverse effect on any such other rights of Creditor;

(3) The execution, delivery and performance of the foregoing Agreement by Creditor and Purchaser does not and will not (a) conflict with, violate or cause a breach or default under the Note, or any other agreement or document related to the debt comprising the Indebtedness Claim, or (b) require any waiver, consent or other action of PEI or any of affiliate of PEI;

(4) The Note is valid, outstanding and enforceable in accordance with its terms, and is not subject to any defense or offset, and shall not become subject to any defense or offset (other than repayment and cancellation of the Note by if, when and as provided in sub-paragraph (y) of sub-paragraph (f) of foregoing Agreement) by virtue of the consummation of the sale and assignment of the Indebtedness Claim under the foregoing Agreement; and

(5) Each of Creditor and Purchaser is relying on the foregoing acknowledgments and agreements by PEI in entering into the foregoing Agreement.

PACIFIC ETHANOL, INC.,
a Delaware corporation

By: /S/ NEIL M. KOEHLER
Neil M. Koehler, Chief Executive Officer