

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported)

July 15, 2010

**PACIFIC ETHANOL, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction  
of incorporation)

000-21467

(Commission File Number)

41-2170618

(IRS Employer  
Identification No.)

400 Capitol Mall, Suite 2060, Sacramento, CA

(Address of principal executive offices)

95814

(Zip Code)

Registrant's telephone number, including area code:

(916) 403-2123

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01. Entry into a Material Definitive Agreement.**

On August 6, 2009, Pacific Ethanol, Inc. (the "Company") entered into a Settlement Agreement with a judgment creditor (as amended by that certain First Amendment to Settlement Agreement dated November 16, 2009 and that certain Second Amendment to Settlement Agreement dated March 26, 2009 but entered into on March 26, 2010, the "Settlement Agreement") under which the Company entered into a consent judgment and judgment was entered against the Company in the amount of approximately \$1,900,000 (the "Judgment"). The Settlement Agreement resolved litigation between the Company and the judgment creditor concerning the Company's alleged obligations as a guarantor of certain purported liabilities of one of the Company's indirect subsidiaries. The Settlement Agreement provided that the judgment creditor would not undertake any efforts to enforce or collect on the Judgment until June 30, 2010 when the Company was obligated to pay the judgment creditor \$1,545,734.28. On July 15, 2010, the Company and the judgment creditor entered into a Third Amendment to Settlement Agreement (the "Amendment").

The Amendment provides that the Company is to remit to the judgment creditor, to be applied against the principal amount of the judgment, (i) \$100,000 on or before July 31, 2010, (ii) \$100,000 on or before September 30, 2010, (iii) \$200,000 on or before October 31, 2010, (iv) \$200,000 on or before November 30, 2010, and (v) the remainder of the principal balance of the Judgment on or before December 31, 2010. The Amendment also provides that the Company is to remit to the judgment creditor simple interest on the unpaid balance of the Judgment calculated at one percent (1%) per month on a 30/360 day basis on or before the last date of each month starting July 31, 2010 and ending December 31, 2010. In addition, the Amendment provides that the Company is to remit to the judgment creditor an amount of \$5,000 for reimbursement of the judgment creditors legal fees, on or before July 31, 2010. The Amendment provides that the judgment creditor will not undertake any efforts to enforce or collect on the Judgment if the Company complies with the payment terms set forth in the Amendment. In the event that the Company fails to make any payment required under the Amendment, a post default interest rate of 14 percent (14%) per annum will apply and the judgment creditor may declare the entire unpaid Judgment and all accrued interest due and payable immediately.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the Amendment which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

Exhibit No.   Description

10.1            Third Amendment to Settlement Agreement dated as of July 15, 2010 by and between Campbell-Sevey, Inc. and 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: July 21, 2010

PACIFIC ETHANOL, INC.

By: /S/CHRISTOPHER W. WRIGHT  
Christopher W. Wright,  
Vice President, General Counsel & Secretary

**EXHIBITS FILED WITH THIS REPORT**

<u>Number</u>	<u>Description</u>
10.1	Third Amendment to Settlement Agreement dated as of July 15, 2010 by and between Campbell-Sevey, Inc. and Pacific Ethanol, Inc.



**THIRD AMENDMENT TO SETTLEMENT AGREEMENT**

This **THIRD AMENDMENT TO SETTLEMENT AGREEMENT** ("Agreement") dated as of July 12, 2010 ("Effective Date") is entered into by and between CAMPBELL-SEVEY, INC., a Minnesota corporation, ("Campbell-Sevey"), on the one hand, and PACIFIC ETHANOL, INC., a Delaware corporation, ("PEI") on the other hand (collectively referred to herein as "Parties").

**I. RECITALS**

**WHEREAS**, the Parties entered into that certain Settlement Agreement dated as of August 6, 2009, as amended by that certain First Amendment to Settlement Agreement dated as of November 16, 2009, and by that certain Second Amendment to Settlement Agreement incorrectly dated as of March 26, 2009 but entered into on March 26, 2010 (the "Settlement Agreement").

**WHEREAS**, PEI was obligated to pay \$1,545,734.28 to Campbell-Sevey on June 30, 2010, such sum being the balance of the Judgment due pursuant to the Settlement Agreement.

**WHEREAS**, the Parties desire to amend the Settlement Agreement on the terms set forth below.

**II. TERMS**

**FOR AND IN CONSIDERATION** of the foregoing premises and the mutual agreements hereinafter set forth, the Parties agree as follows:

1. The remaining amount due under the Judgment of \$1,545,734.28 shall be paid as follows:

(a) On or before July 31, 2010, PEI shall remit to Campbell-Sevey \$125,609.79, comprised of:

- Simple interest on the unpaid balance of the Judgment from June 21, 2010 to July 31, 2010, in the amount of \$20,609.79, calculated at one percent (1%) per month on a 30/360 day basis;
- Payment against the principal amount of the Judgment by \$100,000; and
- Reimbursement of Campbell-Sevey's legal expenses to date (and before any default under this Agreement) in the amount of \$5,000.

(b) On or before August 31, 2010, PEI shall remit to Campbell-Sevey simple interest on the unpaid balance of the Judgment calculated at one percent (1%) per month on a 30/360 day basis.

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(c) On or before September 30, 2010 PEI shall remit to Campbell-Sevey (i) a payment against the principal amount of the Judgment in the amount of \$100,000, and (ii) simple interest on the unpaid balance of the Judgment calculated at one percent (1%) per month on a 30/360 day basis.

(d) On or before October 31, 2010 PEI shall remit to Campbell-Sevey (i) a payment against the principal amount of the Judgment in the amount of \$200,000, and (ii) simple interest on the unpaid balance of the Judgment calculated at one percent (1%) per month on a 30/360 day basis.

(e) On or before November 30, 2010 PEI shall remit to Campbell-Sevey (i) a payment against the principal amount of the Judgment in the amount of \$200,000, and (ii) simple interest on the unpaid balance of the Judgment calculated at one percent (1%) per month on a 30/360 day basis.

(f) On or before December 31, 2010 PEI shall remit to Campbell-Sevey (i) the balance of the principal amount of the Judgment, and (ii) simple interest on the unpaid balance of the Judgment calculated at one percent (1%) per month on a 30/360 day basis.

2. All payments by PEI to Campbell-Sevey shall be by wire transfer or certified or cashier's check delivered to Campbell-Sevey on or before the due date.

3. Campbell-Sevey shall not undertake any efforts to enforce or collect on the Judgment so long as PEI is in conformance with its obligations under paragraph 1 above.

4. In the event PEI fail to make any payment under this Agreement as and when due (a "Default), Campbell-Sevey may without notice of any kind declare the entire unpaid Judgment with accrued interest to be immediately due and payable in full, and may proceed to exercise its rights under the Judgment. Also upon the occurrence of a Default, Campbell-Sevey shall be entitled to post default interest computed at 14% per annum.

5. This Agreement shall be construed according to and governed by the laws of the State of Minnesota. PEI consents to the personal jurisdiction of the state and federal courts located in Colorado and Minnesota (as may be selected by Campbell-Sevey) in connection with any controversy related in any way to this Agreement and waives any argument that venue in either such forum is not convenient.

6. The Settlement Agreement, as amended hereby, shall remain in full force and effect and shall bind the heirs, personal representatives, successors, assigns, executors and administrators of each party, and inure to the benefit of each party, its heirs, successors and assigns.

7. This Third Amendment to Settlement Agreement may be executed in one or more counterparts, any of which need not contain the signatures of more than one party but all signed counterparts taken together will constitute one and the same agreement. A facsimile signature will be deemed as valid as an original signature.

IN WITNESS WHEREOF, the parties have duly authorized and caused this Agreement to be executed as follows:

Date: July 15, 2010

Date: July 12, 2010

**CAMPBELL-SEVEY, INC.:**

**PACIFIC ETHANOL, INC.:**

*/s/ Brian Ron*

*/s/ Bryon McGregor*

\_\_\_\_\_  
By: Brian Ron  
Its: President

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By: Bryon McGregor  
Its: CFO



