

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)

December 16, 2013

**PACIFIC ETHANOL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation)

**000-21467**

(Commission File Number)

**41-2170618**

(IRS Employer  
Identification No.)

**400 Capitol Mall, Suite 2060, Sacramento, CA**

(Address of principal executive offices)

**95814**

(Zip Code)

Registrant's telephone number, including area code:

**(916) 403-2123**

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

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

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

**Item 1.01. Entry into a Material Definitive Agreement.**

On December 16, 2013, Pacific Ethanol, Inc. (the "Company") entered into a letter agreement (the "Letter Agreement") with the holders of the Company's Senior Unsecured Notes dated January 11, 2013 ("Senior Notes"), pursuant to which the Company agreed to pay to certain of the holders of the Company's Senior Notes an aggregate of \$2,000,000 as a prepayment of a portion of the outstanding principal amount of the Senior Notes through the issuance of an aggregate of 500,000 shares (the "Shares") of the Company's common stock. Under the terms of the Letter Agreement, (i) the holder of the Senior Notes that elected not to receive any prepayment of the principal amount of the Senior Note held by such holder has consented to the prepayments being made to the other holders of the Company's Senior Notes and has waived the requirement contained in the Senior Notes that any prepayment must be applied pro rata to all outstanding Senior Notes, and (ii) the Company agreed to issue to those holders of Senior Notes that elected to receive a prepayment of a portion of the principal amount of the Senior Notes held by such holders the number of shares of the Company's common stock equal to the quotient obtained by dividing (a) the prepayment amount allocated to such holder, by (b) \$4.00. The Shares were offered pursuant to an effective registration statement on Form S-3 (Registration No. 333-180731, as supplemented to date, the "Registration Statement").

The foregoing description is intended to provide a summary of the material terms of the Letter Agreement. This summary is qualified in its entirety by reference to the Letter Agreement which is filed as Exhibit 10.1 to this Current Report on Form 8-K.

**Item 8.01. Other Events.**

In connection with the offering discussed in Item 1.01, the legal opinion letter of Troutman Sanders LLP, counsel to the Company, regarding the validity of the Shares is filed as Exhibit 5.1 to this Current Report on Form 8-K. The legal opinion letter is also filed with reference to, and is hereby incorporated by reference into, the Registration Statement.

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

- (a) Financial statements of businesses acquired.

Not applicable.

- (b) Pro forma financial information.

Not applicable.

- (c) Shell company transactions.

Not applicable.

(d) Exhibits.

<u>Number</u>	<u>Description</u>
5.1	Opinion of Troutman Sanders LLP (*)
10.1	Letter Agreement, dated December 16, 2013, by and among the Company and the holders of the Company's Senior Unsecured Notes dated January 11, 2013 (*)(**)

(\*) Filed herewith.

(\*\*) The agreement filed as an exhibit to this report contains representations and warranties made by the parties thereto. The assertions embodied in such representations and warranties are not necessarily assertions of fact, but a mechanism for the parties to allocate risk. Accordingly, investors should not rely on the representations and warranties as characterizations of the actual state of facts or for any other purpose at the time they were made or otherwise.

**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: December 16, 2013

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>
5.1	Opinion of Troutman Sanders LLP (*)
10.1	Letter Agreement, dated December 16, 2013, by and among the Company and the holders of the Company's Senior Unsecured Notes dated January 11, 2013 (*)(**)



TROUTMAN SANDERS LLP  
Attorneys at Law  
5 Park Plaza, Suite 1400  
Irvine, CA 92614-2545  
949.622.2700 telephone  
troutmansanders.com

December 16, 2013

Pacific Ethanol, Inc.  
400 Capital Mall, Suite 2060  
Sacramento, California 95814

Re: Registration Statement on Form S-3

Ladies and Gentlemen:

We have acted as counsel to Pacific Ethanol, Inc., a Delaware corporation (the "Company"), in connection with the proposed offer and sale by the Company of 500,000 shares (the "Shares") of the Company's common stock, par value \$0.001 per share (the "Common Stock"), pursuant to a letter agreement dated December 16, 2013 among the Company and the holders of the Company's Senior Unsecured Notes dated January 11, 2013 (the "Letter Agreement") as described in the Company's Registration Statement on Form S-3 (File No. 333-180731) filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act") (as amended and supplemented through and including the date hereof, including by the prospectus supplement (the "Prospectus") dated December 16, 2013 (the "Registration Statement")).

This opinion letter is being furnished in connection with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act, and no opinion is expressed herein as to any matter pertaining to the contents of the Registration Statement, other than as expressly stated herein with respect to the issuance of the Shares.

As such counsel and for purposes of our opinions set forth herein, we have examined and relied upon the original or copies, certified or otherwise identified to our satisfaction, of such documents, resolutions, certificates and instruments of the Company, and have reviewed certificates of public officials, statutes, records and such other instruments and documents and have made such investigations of law as we have considered necessary or appropriate as a basis for the opinions set forth in this opinion letter. In such examination, we have assumed (i) the genuineness of all signatures on all agreements, instruments and other documents submitted to us; (ii) the legal capacity and authority of all persons or entities executing all agreements, instruments and other documents submitted to us; (iii) the authenticity and completeness of all agreements, instruments, corporate records, certificates and other documents submitted to us as originals; (iv) that all agreements, instruments, corporate records, certificates and other documents submitted to us as certified, electronic, facsimile, conformed, photostatic or other copies conform to authentic originals thereof, and that such originals are authentic and complete; (v) the due authorization, execution and delivery of all agreements, instruments and other documents by all parties thereto; (vi) that no documents submitted to us have been amended or terminated orally or in writing except as has been disclosed to us; (vii) that the statements contained in the certificates and comparable documents of public officials, officers and representatives of the Company and other persons on which we have relied for the purposes of this opinion letter are true and correct; and (viii) that each of the officers and directors of the Company has properly exercised his or her fiduciary duties. As to all questions of fact material to this opinion letter and as to the materiality of any fact or other matter referred to herein, we have relied (without independent investigation) upon certificates or comparable documents of officers and representatives of the Company. In addition, with your consent, we have assumed that all choice of law provisions are legally enforceable.

Subject to the foregoing and the other matters set forth herein, it is our opinion that, as of the date hereof, the Shares have been duly authorized by the Company and, when and to the extent issued and sold in accordance with the terms of, and in the manner contemplated by, the Letter Agreement, including payment in full to the Company of all consideration required therefor, and as described in the Registration Statement, the Shares will be validly issued, fully paid and non-assessable.

Our opinions are subject to (i) the effect of any bankruptcy, insolvency, reorganization, moratorium or similar laws and principles affecting creditors' rights generally (including, without limitation, fraudulent transfer or fraudulent conveyance laws); and (ii) the effect of general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing) and the availability of equitable remedies (including, without limitation, specific performance and equitable relief), regardless of whether considered in a proceeding in equity or at law.

We express no opinion with regard to the applicability or effect of the law of any jurisdiction other than the General Corporation Law of the State of Delaware as in effect on the date hereof.

This opinion letter is prepared for your use in connection with the Registration Statement and may be relied upon by you and by persons entitled to rely upon it pursuant to the applicable provisions of the Securities Act solely for such purpose. We hereby consent to the filing of this opinion as an exhibit to the Company's Current Report on Form 8-K dated December 16, 2013, the incorporation of this opinion by reference in the Registration Statement and to the use of our name under the caption "Legal Matters" in the Prospectus and Registration Statement. In giving this consent, we do not hereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act, or the rules or regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Troutman Sanders LLP

**Pacific Ethanol, Inc.**  
**400 Capitol Mall, Suite 2060**  
**Sacramento, CA 95814**

December 16, 2013

Holders of the Company's  
Senior Unsecured Notes  
Dated January 11, 2013  
Identified on Schedule 1 hereto

Re: Payments in Kind

Gentlemen:

This letter agreement (the "**Letter Agreement**") is entered into as of December 16, 2013 among the undersigned holders (collectively, the "**Holders**") of Senior Unsecured Notes dated January 11, 2013 (the "**Notes**"), and Pacific Ethanol, Inc. (the "**Company**"). Capitalized terms not otherwise defined herein shall have the meanings given them in the Notes.

The Company intends to make a prepayment to Candlewood Special Situations Master Fund, Ltd. ("CSSM") and CWD OC 522 Master Fund Ltd. ("CWD OC 522") in the aggregate amount of \$2,000,000, and CSSM and CWD OC 522 (together, the "Funds") desire to receive such prepayment in kind, in the form of shares of the Company's common stock (the "**Common Stock**"), all with the consent of all Holders as provided below.

In consideration of the mutual covenants herein contained, and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. **Prepayment of Notes; Delivery of Shares.** The Company shall pay to each Fund the sum set opposite such Fund's name on the signature page hereto (the "**Payments**") by issuing and delivering to such Fund the number of shares (collectively, the "**Shares**") of the Company's Common Stock equal to the quotient obtained by dividing (a) such Fund's Payment, by (b) \$4.00. The Payments shall be applied to the outstanding principal balance of the Notes. The offering and issuance of the Shares (the "**Offering**") are being made pursuant to (a) an effective Registration Statement on Form S-3 (File No. 333-180731) (including the prospectus contained therein), filed by the Company with the Securities and Exchange Commission (the "**Commission**"), and (b) a prospectus supplement containing certain supplemental information regarding the terms of the Offering of the Shares, that will be filed with the Commission on the date hereof and delivered to each Holder (or may be available to each Holder by the filing by the Company of an electronic version thereof with the Commission). On the day that is the third Trading Day after the date hereof, the Company shall deliver to each Holder that number of Shares set forth opposite such Holder's name on the signature page hereto through the facilities of the Depository Trust Company's DWAC system. For purposes hereof, the term "**Trading Day**" shall mean any day on which the Common Stock is traded on the principal securities exchange or securities market on which the Common Stock is then traded.



2. **Consent to Non-Pro Rata Prepayment.** The Holders each hereby consent to the Payments to the Funds and waive the requirements of Section 1.2 of the Notes which provides that “any [prepayment] shall be applied pro rata to the Note and the Other Notes in accordance with the respective Principal amounts thereof.” Notwithstanding any provision of the Notes to the contrary, the Holders agree that the consummation of the transactions contemplated hereby shall be deemed to conform to the requirements of the Notes in all respects. The consent and waiver in this Letter Agreement is strictly limited to the one prepayment contemplated by this Letter Agreement, and nothing in this Letter Agreement shall be (i) deemed to constitute a waiver of compliance by the Company with respect to any other term, provision or condition of the Notes, or (ii) prejudice any right or remedy that any Holder may have under or in connection with the Notes.

3. **Effect of Letter Agreement.** The Payments do not constitute a payment in full of the Notes. Except as expressly set forth in this Letter Agreement, all of the terms and provisions of the Notes shall remain in full force and effect.

4. **Entire Agreement.** This Letter Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations by or between the parties, written or oral, to the extent they relate in any way to the subject matter hereof.

5. **Amendments.** This Letter Agreement may not be amended or modified, and no provisions hereof may be waived, without the written consent of the Company and all of the Holders.

6. **Governing Law.** This Letter Agreement shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

7. **Counterparts.** This Letter Agreement may be executed, including by facsimile signature, in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

*[Signatures Follow.]*

In witness whereof, the parties have executed this Letter Agreement as of the first date set forth above.

**PACIFIC ETHANOL, INC.**

By: /s/ Neil M. Koehler  
Neil M. Koehler, Chief Executive Officer

**HOLDERS:**

**PAYMENT AMOUNT:**

**CWD OC 522 MASTER FUND LTD.**

By: Candlewood Investment Group,  
as investment manager

By: /s/ David Koenig \$ 664,523  
Name: David Koenig  
Title: Authorized Signatory

**CANDLEWOOD SPECIAL SITUATIONS MASTER FUND,  
LTD.**

By: Candlewood Investment Group,  
as investment manager

By: /s/ David Koenig \$1,335,477  
Name: David Koenig  
Title: Authorized Signatory

**CREDIT SUISSE LOAN FUNDING LLC**

By: /s/ Robert Healey  
Name: Robert Healey  
Title: Authorized Signatory

By: /s/ Michael Wotanowski  
Name: Michael Wotanowski  
Title: Authorized Signatory

**Schedule 1**

**Holders of Notes**

CWD OC 522 Master Fund Ltd.  
c/o Candlewood Investment Group  
777 Third Ave, Suite 19B, NY NY 10017  
Attention: Peter Dowling

Candlewood Special Situations Master Fund, Ltd.  
c/o Candlewood Investment Group  
777 Third Ave, Suite 19B, NY NY 10017  
Attention: Peter Dowling

Credit Suisse Loan Funding LLC  
Eleven Madison Avenue, 5th Floor  
Attn: Jonothan Satran  
New York, NY 10010-3629