
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported)

May 23, 2014

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 May 23, 2014, Pacific Ethanol, Inc. (the “Company”) entered into a letter agreement (the “Letter Agreement”) with the holders of the Company’s Series B Cumulative Convertible Preferred Stock (“Series B Preferred Stock”), pursuant to which the Company agreed to pay to the holders of the Company’s Series B Preferred Stock an aggregate of \$1,462,984 of the accrued and unpaid dividends owed to the holders through the issuance of an aggregate of 120,316 shares (the “Shares”) of the Company’s common stock. In connection with the issuance of the Shares, each of the holders agreed to forbear from exercising such holder’s rights, if any, held by such holder with respect to the remaining accrued and unpaid dividends through November 30, 2015. Under the terms of the Letter Agreement, the Company agreed to issue to each of the holders the number of shares of the Company’s common stock equal to the quotient obtained by dividing (a) the payment amount of the accrued and unpaid dividends owed to such holder set forth in the letter agreement, by (b) \$12.16 (the closing price per share of the Company’s common stock on The Nasdaq Capital Market on May 21, 2014). As of May 22, 2014, an aggregate of approximately \$3.7 million of accrued and unpaid dividends were owed to the holders of the Company’s Series B Preferred Stock.

The Shares were issued and sold pursuant to an effective registration statement on Form S-3 (Registration No. 333-195364, as supplemented to date, the “Registration Statement”).

The forgoing 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.

(d) Exhibits.

<u>Number</u>	<u>Description</u>
5.1	Opinion of Troutman Sanders LLP (*)
10.1	Letter Agreement, dated May 23, 2014, by and among the Company and the holders of the Company’s Series B Cumulative Convertible Preferred Stock (*)(**)

(*) 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: May 28, 2014

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 May 23, 2014, by and among the Company and the holders of the Company's Series B Cumulative Convertible Preferred Stock

TROUTMAN SANDERS

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

May 28, 2014

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 120,316 shares (the "Shares") of the Company's common stock, par value \$0.001 per share (the "Common Stock"), pursuant to a letter agreement dated May 23, 2014 among the Company and the holders of the Company's Series B Cumulative Convertible Preferred Stock (the "Letter Agreement") as described in the Company's Registration Statement on Form S-3 (File No. 333-195364) 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 May 23, 2014 (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.

ATLANTA BEIJING CHICAGO HONG KONG NEW YORK NEWARK NORFOLK ORANGE COUNTY PORTLAND
RALEIGH RICHMOND SAN DIEGO SHANGHAI TYSONS CORNER VIRGINIA BEACH WASHINGTON, DC

TROUTMAN SANDERS

Pacific Ethanol, Inc.
May 28, 2014
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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 to be filed with the Securities and Exchange Commission on May 28, 2014, 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
Troutman Sanders LLP

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

May 23, 2014

Holders of the Company's
Series B Preferred Stock
Identified on Schedule 1 hereto

Re: Accrued Dividends

Gentlemen:

This letter agreement (the "**Letter Agreement**") is provided with respect to certain rights of the undersigned holders (collectively, the "**Holders**") of shares of Series B Cumulative Convertible Preferred Stock, \$0.001 par value per share (the "**Series B Preferred Stock**"), of Pacific Ethanol, Inc. (the "**Company**") under the Company's Certificate of Designations, Powers, Preferences, and Rights of the Series B Cumulative Convertible Preferred Stock (the "**Series B Certificate of Designations**").

The Series B Certificate of Designations provides for the payment of quarterly cumulative dividends ("**Cumulative Dividends**") with respect to the Series B Preferred Stock. From January 1, 2009, through December 31, 2011, the Company did not pay Cumulative Dividends to the Holders. Exhibit A attached sets forth the sum of accrued and unpaid dividends with respect to each Holder as of December 31, 2013 (collectively, the "**Unpaid Dividends**").

Notwithstanding any previous agreement between the undersigned and the Company and subject to the terms and conditions set forth herein, each of the undersigned Holders desires to forbear from exercising rights, if any, held by such Holder with respect to the Unpaid Dividends.

In consideration of each Holder's agreement to forbear from exercising its rights, the Company agrees to pay \$1,462,984 of the Unpaid Dividends 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. **Forbearance.** Subject to the delivery of the Shares in accordance with Paragraph 3, each Holder agrees that until the earlier to occur of (i) November 30, 2015, or (ii) the occurrence of any Forbearance Default (as hereinafter defined) (the "**Forbearance Period**"), each Holder will forbear from exercising any and all of its respective rights and remedies against the Company with respect to any remaining Unpaid Dividends, including, but not limited to, demanding payment of any Unpaid Dividends and bringing any action or claim with respect to any Unpaid Dividends.

2. **Tolling.** The parties hereto stipulate, covenant, and agree that the running of any and all affirmative defenses of the Company based on (a) any statutes of limitation, (b) the doctrine of laches, or (c) any failure of the Holders to institute or commence litigation or other legal proceedings within some specified period, before a specified date, or before the happening of a specified event, applicable to all claims or causes of action that any Holder may be entitled to take or bring in order to enforce or otherwise arising out of or relating to their respective rights and remedies against the Company with respect to the Unpaid Dividends is, to the fullest extent permitted by law, tolled and suspended during the Forbearance Period.

3. **Payment of Dividend; Delivery of Shares.** The Company shall pay to each Holder the sum set opposite the Holder's name on the signature page hereto (the "Payment") by issuing and delivering to each such Holder the number of shares (collectively, the "Shares") of the Company's common stock (the "Common Stock") equal to the quotient obtained by dividing (a) the Payment, by (b) \$12.16. 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. 333-195364) (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 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.

4. **Acknowledgment of Non-Payment; Non-Waiver.** By executing this Letter Agreement, the Company acknowledges and agrees that, except as expressly provided herein, (a) the Holders' rights under the Series B Certificate of Designations have not been waived by the Holders, and (b) no Holder has made and is not making any commitment, and there is no understanding, explicit or implicit, relating to, or affecting, any forbearance or any other matter beyond that set forth in this Letter Agreement.

5. **Full Force and Effect.** Except as otherwise provided herein, the Series B Certificate of Designations shall remain unchanged and in full force and effect. Except as expressly set forth above, nothing in this Letter Agreement shall be construed as a waiver of any rights of any of the parties to this Letter Agreement under the Series B Certificate of Designations.

6. **Forbearance Default.** As used herein, "Forbearance Default" means any of the following:

- a. The Company fails to timely perform or observe any requirement of this Letter Agreement or the documents, instruments and agreements executed in connection herewith;
- b. The Company fails to pay future Cumulative Dividends on a timely basis in accordance with the Series B Certificate of Designation;
- c. The Company dissolves, liquidates, winds up, or otherwise ceases its on-going business operations; or
- d. The Company (or any subsidiary): (i) makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors; (ii) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of the assets of the Company, either in a proceeding brought by such party or in a proceeding brought against such party and such appointment is not discharged or such possession is not terminated within sixty (60) calendar days after the effective date thereof or such party consents to or acquiesces in such appointment or possession; (iii) files a petition for relief under any Insolvency Law or an involuntary petition for relief is filed against such party under any Insolvency Law and such involuntary petition is not dismissed within sixty (60) calendar days after the filing thereof, or an order for relief naming such party is entered under any Insolvency Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by such party; (iv) fails to have discharged within a period of thirty (30) calendar days any attachment, sequestration or similar writ levied upon any property of such party in an amount exceeding \$1,000,000; or (v) fails to pay within thirty (30) calendar days any final money judgment against such party in an amount exceeding \$1,000,000. (For purposes hereof, "Insolvency Law" means Title 11 of the United States Code (or any successor law) or any similar applicable law providing for bankruptcy, insolvency, conservatorship, receivership or other similar debtor's relief.)

7. **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.

8. **Amendments and Waivers; Severability.** This Letter Agreement may not be amended or modified, and no provisions hereof may be waived, without the written consent of the Company and each of the Holders. No action taken pursuant to this Letter Agreement shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Letter Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

9. **Governing Law.** This Letter Agreement shall be governed by, and construed, interpreted and enforced in accordance with, the laws of the State of Delaware, without giving effect to the principles of conflicts of laws thereunder which would specify the application of the law of another jurisdiction.

10. **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:

Lyles United, LLC

By: /s/ William Lyles
Name: William Lyles
Title: Vice President

\$734,136

/s/ Frank P. Greinke, Trustee
Frank P. Greinke, as Trustee under
the Greinke Personal Living Trust

\$379,312

/s/ Robert W. Bollar
Robert W. Bollar, as Trustee of the
Bollar Living Trust

\$54,018

/s/ Mimi Taylor
Mimi S. Taylor

\$54,018

/s/ Neil M. Koehler
Neil M. Koehler

\$210,000

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

Holders of the Company's Series B Preferred Stock
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<u>/s/ Bill Jones</u> Bill Jones	\$10,500
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<u>/s/ Paul P. Koehler</u> Paul P. Koehler	\$10,500
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<u>/s/ Thomas D. Koehler</u> Thomas D. Koehler	\$10,500
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Schedule 1

Holders of Series B Preferred Stock

William M. Lyles IV
Lyles United, LLC
1210 West Olive Avenue
Fresno, CA 93728

Frank P. Greinke, Trustee, Greinke Personal Living Trust
P.O. Box 4159
1800 W. Katella, Ste. 400
Orange, CA 92863

Robert W. Bollar, Trustee, Bollar Living Trust
P.O. Box 4159
1800 W. Katella, Ste. 400
Orange, CA 92863

Mimi S. Taylor
P.O. Box 4159
1800 W. Katella, Ste. 400
Orange, CA 92863

Neil M. Koehler
c/o Pacific Ethanol, Inc.
400 Capitol Mall, Suite 2060
Sacramento, CA 95814

William L. Jones
c/o Pacific Ethanol, Inc.
400 Capitol Mall, Suite 2060
Sacramento, CA 95814

Paul P. Koehler
c/o Pacific Ethanol, Inc.
400 Capitol Mall, Suite 2060
Sacramento, CA 95814

Thomas D. Koehler
c/o Pacific Ethanol, Inc.
400 Capitol Mall, Suite 2060
Sacramento, CA 95814

Exhibit A

Unpaid Dividends at December 31, 2013

Lyles United	\$	1,835,343
Greinke Trust		948,283
Neil Koehler		524,999
Bill Jones		26,248
Paul Koehler		26,248
Tom Koehler		26,248
Bollar Trust		135,046
Mimi S. Taylor		135,046
TOTAL	\$	3,657,461
