

**UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549
SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No.)*

PACIFIC ETHANOL, INC.

(Name of Issuer)

Common Stock, \$.001 par value per share

(Title of Class of Securities)

69423U107

(CUSIP Number)

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2365 Carillon Point
Kirkland, WA 98033
(425) 889-7900

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

April 13, 2006

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 69423U107

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)
Cascade Investment, L.L.C.
-

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)

(b)

3. SEC Use Only

4. Source of Funds (See Instructions)
WC

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization
State of Washington

7. Sole Voting Power
10,500,000*

- Number of Shares Beneficially Owned by Each Reporting Person With
8. Shared Voting Power
-0-

9. Sole Dispositive Power
10,500,000*

10. Shared Dispositive Power
-0-

11. Aggregate Amount Beneficially Owned by Each Reporting Person
10,500,000*

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

13. Percent of Class Represented by Amount in Row (11)
25.5%

14. Type of Reporting Person (See Instructions)
OO

* On April 13, 2006, Cascade Investment, L.L.C. ("Cascade") acquired 5,250,000 shares of the issuer's Series A Cumulative Redeemable Convertible Preferred Stock ("Series A Preferred Stock") at a price of \$16.00 per share. Each share of Series A Preferred Stock is convertible at any time at Cascade's option into a number of shares of the issuer's common stock ("Common Stock") equal to the quotient of (x) \$16.00 divided by (y) the conversion price in effect at the time of conversion. The conversion price per share of Series A Preferred Stock is currently \$8.00 and is subject to anti-dilution protection and other adjustments as set forth in the Certificate of Designations, Powers, Preferences and Rights of the Series A Cumulative Redeemable Convertible Preferred Stock (the "Certificate of Designations"). Using the current conversion price, Cascade's 5,250,000 shares of Series A Preferred Stock are currently convertible into 10,500,000 shares of the issuer's Common Stock. Except as otherwise provided in the Certificate of Designations or applicable law, the Series A Preferred Stock votes together with all other classes and series of voting stock of the issuer as a single class on all actions to be taken by the stockholders of the issuer. Each share of Series A Preferred Stock entitles the holder thereof to the number of votes equal to the number of shares of Common Stock into which each share of Series A Preferred Stock is convertible; provided that the number of votes for each share of Series A Preferred Stock shall not exceed the number of shares of Common Stock into which each share of Series A Preferred Stock would be convertible if the applicable conversion price were \$8.99.

All shares of Common Stock held by Cascade may be deemed to be beneficially owned by William H. Gates III as the sole member of Cascade. Michael Larson, the Business Manager of Cascade, has voting and investment power with respect to the Common Stock held by Cascade. Mr. Larson disclaims any beneficial ownership of the Common Stock beneficially owned by Cascade and Mr. Gates.

CUSIP No. 69423U107

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only)
William H. Gates III

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)

(b)

3. SEC Use Only

4. Source of Funds (See Instructions)
WC

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization
United States of America

7. Sole Voting Power
10,500,000*

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

8. Shared Voting Power
-0-

9. Sole Dispositive Power
10,500,000*

10. Shared Dispositive Power
-0-

11. Aggregate Amount Beneficially Owned by Each Reporting Person
10,500,000*

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

13. Percent of Class Represented by Amount in Row (11)
25.5%

14. Type of Reporting Person (See Instructions)
IN

* On April 13, 2006, Cascade Investment, L.L.C. ("Cascade") acquired 5,250,000 shares of the issuer's Series A Cumulative Redeemable Convertible Preferred Stock ("Series A Preferred Stock") at a price of \$16.00 per share. Each share of Series A Preferred Stock is convertible at any time at Cascade's option into a number of shares of the issuer's common stock ("Common Stock") equal to the quotient of (x) \$16.00 divided by (y) the conversion price in effect at the time of conversion. The conversion price per share of Series A Preferred Stock is currently \$8.00 and is subject to anti-dilution protection and other adjustments as set forth in the Certificate of Designations, Powers, Preferences and Rights of the Series A Cumulative Redeemable Convertible Preferred Stock (the "Certificate of Designations"). Using the current conversion price, Cascade's 5,250,000 shares of Series A Preferred Stock are currently convertible into 10,500,000 shares of the issuer's Common Stock. Except as otherwise provided in the Certificate of Designations or applicable law, the Series A Preferred Stock votes together with all other classes and series of voting stock of the issuer as a single class on all actions to be taken by the stockholders of the issuer. Each share of Series A Preferred Stock entitles the holder thereof to the number of votes equal to the number of shares of Common Stock into which each share of Series A Preferred Stock is convertible; provided that the number of votes for each share of Series A Preferred Stock shall not exceed the number of shares of Common Stock into which each share of Series A Preferred Stock would be convertible if the applicable conversion price were \$8.99.

All shares of Common Stock held by Cascade may be deemed to be beneficially owned by William H. Gates III as the sole member of Cascade. Michael Larson, the Business Manager of Cascade, has voting and investment power with respect to the Common Stock held by Cascade. Mr. Larson disclaims any beneficial ownership of the Common Stock beneficially owned by Cascade and Mr. Gates.

Item 1. Security and Issuer

This statement relates to the common stock, \$.001 par value per share (the "Common Stock") of Pacific Ethanol, Inc. (the "Issuer"). The principal executive offices of the Issuer are located at 5711 N. West Avenue, Fresno, CA 93711.

Item 2. Identity and Background

(a) This Statement is being filed jointly by Cascade Investment, L.L.C. ("Cascade") and William H. Gates III ("Gates"). The foregoing persons are hereinafter sometimes referred to collectively as the "Reporting Persons."

(b)-(c) Cascade is a limited liability company organized under the laws of the State of Washington. Cascade is a private investment entity that seeks appreciation of its assets for the benefit of its owner. The address of Cascade's principal place of business and principal office is 2365 Carillon Point, Kirkland, Washington 98033.

William H. Gates III, a natural person, is the Chairman of the Board of Microsoft Corporation. Mr. Gates is the sole member of Cascade. The address of his principal office and principal place of business is One Microsoft Way, Redmond, Washington 98052.

The executive officers and persons controlling Cascade are set forth on Exhibit 99.1, which is attached hereto and incorporated herein by reference. Exhibit 99.1 sets forth the following information with respect to each such person: (i) name; (ii) business address; (iii) present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted; and (iv) citizenship.

(d)-(e) During the last five years, neither the Reporting Persons nor any person named in Exhibit 99.1 has been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Mr. Gates is a citizen of the United States of America.

Item 3. Source and Amount of Funds or Other Consideration

Cascade purchased the Common Stock it owns with its working capital. Cascade did not purchase any Common Stock with borrowed funds.

Item 4. Purpose of Transaction

Cascade acquired the Common Stock for investment purposes only. The Reporting Persons will continue to evaluate their ownership and voting position in the Issuer and may consider the following future courses of action, among others: (i) continuing to hold the Common Stock for investment; (ii) disposing of all or a portion of the Common Stock in open market sales or in privately-negotiated transactions; (iii) acquiring additional shares of Common Stock in the open market or in privately-negotiated transactions; or (iv) entering into short sales or other hedging transactions with respect to the Common Stock. The Reporting Persons have not as yet determined which, if any, of the courses of action specified in this paragraph they may ultimately take. The Reporting Persons' future actions with regard to this investment are dependent on their evaluation of a variety of circumstances affecting the Issuer in the future, including the market price of the Common Stock, the Issuer's prospects and Cascade's portfolio.

Except as set forth above and in Item 6, neither of the Reporting Persons nor Cascade's Business Manager in his role as such has any present intent or proposals that relate to or would result in: (a) the acquisition by any person of additional securities of the Issuer, or the disposition of securities of the Issuer; (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Issuer or any of its subsidiaries; (c) a sale or transfer of a material amount of assets of the Issuer or any of its subsidiaries; (d) any change in the present board of directors or management of the Issuer, including any plans or proposals to change the number or term of directors

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or to fill any vacancies on the board; (e) any material change in the present capitalization or dividend policy of the Issuer; (f) any other material change in the Issuer's business or corporate structure; (g) changes in the Issuer's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Issuer by any person; (h) causing a class of securities of the Issuer 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) a class of equity securities of the Issuer becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934; or (j) any action similar to those enumerated above.

The Reporting Persons and Cascade's Business Manager reserve the right to determine in the future whether to change the purpose or purposes described above or whether to adopt plans or proposals of the type specified above.

Item 5. Interest in Securities of the Issuer

(a) See items 11 and 13 of the cover pages to this Schedule 13D for the aggregate number of shares of Common Stock and percentage of Common Stock beneficially owned by each of the Reporting Persons.

(b) See items 7 through 10 of the cover pages to this Schedule 13D for the number of shares of Common Stock beneficially owned by each of the Reporting Persons as to which there is sole power to vote or to direct the vote, shared power to vote or to direct the vote and sole or shared power to dispose or to direct the disposition.

(c) On April 13, 2006, Cascade purchased from the Issuer 5,250,000 shares of the Issuer's Series A Cumulative Redeemable Convertible Preferred Stock ("Series A Preferred Stock") at a price of \$16.00 per share in a private transaction pursuant to a Purchase Agreement dated November 14, 2005, between Cascade and the Issuer (the "Purchase Agreement"). Each share of Series A Preferred Stock is convertible at any time at Cascade's option into a number of shares of Common Stock equal to the quotient of (x) \$16.00 divided by (y) the conversion price in effect at the time of conversion. The conversion price per share of Series A Preferred Stock is currently \$8.00 and is subject to anti-dilution protection and other adjustments as set forth in the Certificate of Designations, Powers, Preferences and Rights of the Series A Cumulative Redeemable Convertible Preferred Stock (the "Certificate of Designations"). Using the current conversion price, Cascade's 5,250,000 shares of Series A Preferred Stock are currently convertible into 10,500,000 shares of Common Stock.

(d) Except as set forth in this Schedule 13D, to the knowledge of the Reporting Persons, no person has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, securities covered by this Schedule 13D.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Except as described in this Item 6, none of the Reporting Persons has any contracts, arrangements, understandings, or relationships (legal or otherwise) with respect to any securities of the Issuer.

Registration Rights and Stockholders Agreement

In connection with the issuance of the Series A Preferred Stock, the Issuer entered into a Registration Rights and Stockholders Agreement (the "Rights Agreement") with Cascade. The Rights Agreement is to be effective until the holders of the Series A Preferred Stock, and their affiliates, as a group, own less than 10% of the Series A Preferred Stock issued under the Purchase Agreement, including Common Stock into which such Series A Preferred Stock has been converted (the "Termination Date"). The Rights Agreement provides that holders of a majority of the Series A Preferred Stock, including Common Stock into which the Series A Preferred Stock has been converted, may demand and cause the Issuer, at any time after April 13, 2007, to register on their behalf the shares of Common Stock issued, issuable or that may be issuable upon conversion of the Series A Preferred Stock (the "Registrable Securities"). Following such demand, the Issuer is required to notify any other holders of the Series A Preferred Stock or Registrable Securities of its intent to file a registration statement and,

to the extent requested by such holders, include them in the related registration statement. The Issuer is required to keep such registration statement

effective until such time as all of the Registrable Securities are sold or until such holders may avail themselves of Rule 144(k). The holders are entitled to three demand registrations on Form S-1 and unlimited demand registrations on Form S-3; however, the Issuer is not obligated to effect more than two demand registrations on Form S-3 in any 12-month period.

In addition to the demand registration rights afforded the holders under the Rights Agreement, the holders are entitled to "piggyback" registration rights. These rights entitle the holders who so elect to be included in registration statements to be filed by the Issuer with respect to other registrations of equity securities. The holders are entitled to unlimited "piggyback" registration rights.

The Rights Agreement provides for the initial appointment of two persons designated by Cascade to the Issuer's Board of Directors, and the appointment of one of such persons as the Chairman of the Compensation Committee of the Board of Directors. These appointments occurred on April 13, 2006, in connection with the closing of Cascade's purchase of the Series A Preferred Stock. Following the Termination Date, Cascade is required to cause its director designees to resign from all applicable committees and boards of directors, effective as of the Termination Date.

The Rights Agreement further provides that the Issuer agrees to cause each person serving as an executive officer, director or manager of the Issuer or any subsidiary of the Issuer to execute and deliver a Voting Letter Agreement in the form attached to the Rights Agreement pursuant to which such person shall grant the Issuer an irrevocable proxy to vote all of such person's voting securities in the Issuer in favor of the directors nominated by Cascade at any shareholder meeting at which directors are to be elected. The Voting Letter Agreements shall terminate on the Termination Date.

Lock-Up Agreement

In connection with the issuance of the Series A Preferred Stock, William L. Jones, Neil M. Koehler and Ryan W. Turner (each a "Stockholder"), the Issuer and Cascade entered into a Lock-Up Agreement (the "Lock-Up Agreement"). The Lock-Up Agreement provides that, through April 13, 2007, no Stockholder shall sell or otherwise transfer more than 40% of the shares of Common Stock that such Stockholder held on April 13, 2006.

The information set forth in response to this Item 6 is qualified in its entirety by reference to the Rights Agreement (see Exhibit 99.2) and the Lock-Up Agreement (see Exhibit 99.3), which are incorporated by reference herein.

Item 7. Material to Be Filed as Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	List of each executive officer, director or person controlling Cascade Investment, L.L.C.
99.2	Registration Rights and Stockholders Agreement (including Form of Voting Letter Agreement) dated as of April 13, 2006 by and between Pacific Ethanol, Inc. and Cascade Investment, L.L.C. (incorporated by reference to Exhibit 10.43 to Pacific Ethanol's Form 10-KSB for the fiscal year ended December 31, 2005, filed with the Securities and Exchange Commission on April 14, 2006, File No. 000-21467)
99.3	Lock-Up Agreement dated as of April 13, 2006 by and among Pacific Ethanol, Inc., Cascade Investment, L.L.C. and the persons listed on Schedule I thereto.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: April 21, 2006

CASCADE INVESTMENT, L.L.C.

By: /s/ Michael Larson

Name: Michael Larson

Title: Business Manager

WILLIAM H. GATES III

By: /s/ Michael Larson

Name: Michael Larson*
Title: Attorney-in-fact

JOINT FILING AGREEMENT

We, the signatories of the statement to which this Joint Filing Agreement is attached, hereby agree that such statement is filed, and any amendments thereto filed by either of us will be filed, on behalf of each of us.

Dated: April 21, 2006

CASCADE INVESTMENT, L.L.C.

By: /s/ Michael Larson

Name: Michael Larson

Title: Business Manager

WILLIAM H. GATES III

By: /s/ Michael Larson

Name: Michael Larson*

Title: Attorney-in-fact

* Duly authorized under Special Power of Attorney appointing Michael Larson attorney-in-fact, dated February 3, 2006, by and on behalf of William H. Gates III, filed as Exhibit 99.1 to Cascade Investment, L.L.C.'s Amendment No. 2 to Schedule 13G with respect to Arch Capital Group Ltd. on March 7, 2006, SEC File No. 005-45257, and incorporated by reference herein.

Following is a list of each executive officer, director or person controlling Cascade setting forth the business address and present principal employment (and the name and address of any corporation or organization in which such employment is conducted) of each person. The persons named below are citizens of the United States of America.

Name	Position with Cascade	Principal Employment and Business Address
Michael Larson	Business Manager	Business Manager Cascade Investment, L.L.C. 2365 Carillon Point Kirkland, WA 98033
William H. Gates III	Member	Chairman of the Board Microsoft Corporation One Microsoft Way Redmond, WA 98052

LOCK-UP AGREEMENT

THIS LOCK-UP AGREEMENT (this "Agreement"), dated as of April 13, 2006, is by and among Pacific Ethanol, Inc., a Delaware corporation (the "Company"), Cascade Investment, L.L.C., a Washington limited liability company (the "Purchaser"), and each of the persons listed on Schedule I hereto (each a "Stockholder", and, collectively, the "Stockholders").

WHEREAS, the Purchaser and the Company have entered into a Purchase Agreement dated as of November 14, 2005 (the "Purchase Agreement") providing for the purchase by the Purchaser of certain cumulative redeemable convertible preferred stock of the Company (the transactions contemplated by the Purchase Agreement, including without limitation the issuance and sale of securities thereunder, the "Transactions");

WHEREAS, in order to induce the Purchaser to consummate the Transactions, the Stockholders desire to enter into this Lock-Up Agreement (the "Agreement"), to take the applicable actions set forth in this Agreement, and to be bound by the obligations and restrictions contained herein; and

WHEREAS, each Stockholder is the record and beneficial owner, or the trustee of a trust whose beneficiaries are the beneficial owners, of such number of shares of common stock, par value \$.001 per share, of the Company (the "Common Stock") set forth opposite such Stockholder's name on Schedule I hereto (such shares of Common Stock, as such shares may be adjusted by stock dividend, stock split, recapitalization, combination or exchange of shares, merger, consolidation, reorganization or other change or transaction, together with shares of Common Stock that may be acquired after the date hereof by such Stockholder, including shares of Common Stock issued upon the exercise of options or warrants to purchase Common Stock (as the same may be adjusted as aforesaid), being collectively referred to herein as the "Shares").

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements contained herein, each of the parties hereto agrees as follows:

1. Representations and Warranties of the Stockholders. Each Stockholder hereby, severally and not jointly, represents and warrants as follows:

(a) Authority. The Stockholder has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the Stockholder. This Agreement has been duly executed and delivered by the Stockholder and constitutes a valid and binding obligation of the Stockholder enforceable against the Stockholder in accordance with its terms. Neither the execution, delivery or performance of this Agreement by the Stockholder nor the consummation by the Stockholder of the transactions contemplated hereby will (i) require any filing with, or permit, authorization, consent or approval of, any

federal, state, local or municipal foreign or other government or subdivision, branch, department or agency thereof or any governmental or quasi-governmental authority of any nature, including any court or other tribunal, (a "Governmental Entity"), (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to any right of termination, amendment, cancellation or acceleration under, or result in the creation of any pledge, claim, lien, option, charge, encumbrance or security interest of any kind or nature whatsoever (a "Lien") upon any of the properties or assets of the Stockholder under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, permit, concession, franchise, contract, agreement or other instrument or obligation (a "Contract") to which the Stockholder is a party or by which the Stockholder or any of the Stockholder's properties or assets, including the Stockholder's Shares, may be bound or (iii) violate any judgment, order, writ, preliminary or permanent injunction or decree (an "Order") or any statute, law, ordinance, rule or regulation of any Governmental Entity (a "Law") applicable to the Stockholder or any of the Stockholder's properties or assets, including the Stockholder's Shares.

(b) The Shares. Subject to the terms of this Agreement, the Stockholder's Shares and the certificates representing such Shares are now, and at all times during the term hereof will be, held by such Stockholder, or by a nominee or custodian for the benefit of such Stockholder. The Stockholder has good and marketable title to such Shares, free and clear of any Liens, proxies, voting trusts or agreements, understandings or arrangements, except, in the case of certain of the Stockholders, as set forth in Schedule I hereto. The Stockholder owns of record or beneficially no Common Stock or other voting interest in the Company, or holds any right to acquire any additional shares of Company Common Stock or any interest therein, other than such Stockholder's Shares and shares of Company Common Stock issuable upon the exercise of options and warrants, in each case as set forth on Schedule I hereto.

(c) Reliance by Purchaser. Each Stockholder understands and acknowledges that the Purchaser is relying upon such Stockholder's execution and delivery of this Agreement, such Stockholder's performance of the Stockholder's obligations under this Agreement, and the accuracy of the Stockholders' representations and warranties set forth in this Agreement, in making its determination with respect to the consummation of the Transactions.

2. Agreements of All Stockholders. Each Stockholder hereby, severally and not jointly, agrees as follows:

(a) Lock-Up on Transfer of Shares. During the one (1) year period commencing on the date hereof and continuing through April 13, 2007 (the "Lock-Up Period"), he shall not, directly or indirectly, offer, sell, transfer, pledge, assign or otherwise dispose of, or enter into any contract, option or other arrangement (including any profit sharing arrangement) or understanding with respect to the offer, sale, transfer, pledge, assignment or other disposition of (collectively, "Transfer"), the Shares or any securities convertible into or exercisable

or exchangeable for Company Common Stock, to any person; provided, however, that during the Lock-Up Period, each Stockholder may Transfer shares of Company Common Stock such that the number of shares being then Transferred, together with all shares previously

Transferred during the Lock-Up Period, does not exceed the number set forth in the column labeled "Transferable Shares" on Schedule I for such Stockholder.

(b) No Hedging or Similar Transactions. The transfer restrictions contained in this Agreement preclude the Stockholders from engaging in any hedging or other transaction during the Lock-Up Period that is designed to or reasonably expected to lead to or result in a Transfer of the Shares, even if such Shares would be disposed of by someone other than a Stockholder. Such prohibited hedging and/or hypothecation or other transaction would include, without limitation, any short sale (whether or not against the box) or any purchase, sale, or grant of any right (including, without limitation, any put or call option) with respect to the Shares or with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from the Shares.

(c) Permitted Transfers. Notwithstanding the foregoing, a Stockholder may Transfer any or all of his Shares in a private transaction (i.e. a transaction that is not effected through the Over-the Counter Bulletin Board, any stock exchange, quotation system or other public marketplace) to a Family Member (as defined below); provided, however, that the transferee of such Shares first agrees in writing, pursuant to an agreement in form acceptable to the Purchaser, to be bound by the provisions of this Agreement in a manner which would treat any proposed Transfers by such transferee as being a Transfer by such Stockholder. For purposes of this paragraph, "Family Member" of a Stockholder shall mean a spouse, lineal descendants, stepchildren, father, mother, brother or sister of the Stockholder, or a trust for which the Stockholder is grantor and the beneficiary if the Stockholder or a Family Member.

(d) Involuntary Transfers. If any Shares are subject to any involuntary transfer, whether by reason of death, bankruptcy or divorce proceedings or otherwise, the transferee of such Shares shall take such Shares subject to this Agreement.

(e) Stop Transfer Order. The Stockholders authorize the Company, during the Lock-Up Period, to cause its transfer agent and registrar to decline to transfer and/or to note stop transfer restrictions on the transfer books and records of the Company with respect to the Transfer of any Shares, except to the extent that such Transfers are in compliance with the terms and conditions of this Agreement.

(f) Invalid Transfers. Any purported transfer of Shares that is not in accordance with this Agreement shall be null and void, and shall not operate to transfer any right, title or interest in such Shares to the purported transferee.

(g) Legend. To implement the restrictions set forth in this Agreement, the Company may imprint the following legend on the reverse side of the certificates evidencing the Shares:

TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS RESTRICTED BY THE TERMS OF A LOCK-UP AGREEMENT, DATED APRIL 13, 2006, BETWEEN THE HOLDER OF

THIS CERTIFICATE AND THE ISSUER OF THIS CERTIFICATE. A COPY OF THAT AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICES OF THE ISSUER OF THIS CERTIFICATE. NO SALE, TRANSFER, ASSIGNMENT, PLEDGE OR OTHER DISPOSITION SHALL BE EFFECTIVE UNLESS AND UNTIL THE TERMS AND CONDITIONS OF THE LOCK-UP AGREEMENT SHALL HAVE BEEN COMPLIED WITH IN FULL.

3. Further Assurances. Each Stockholder will, from time to time, execute and deliver, or cause to be executed and delivered, such additional or further transfers, assignments, endorsements, consents and other instruments as the Company or the Purchaser may reasonably request for the purpose of effectively carrying out the transactions contemplated by this Agreement.

4. Termination. This Agreement, and all rights and obligations of the parties hereunder, shall terminate upon the expiration of the Lock-Up Period. In the event that a Stockholder ceases to be a director, officer or employee of the Company or any of its affiliates, as the result of a termination, resignation or otherwise, prior to the expiration of the Lock-Up Period, then this Agreement, and all rights and obligations of the Stockholder hereunder, shall immediately terminate with respect to such Stockholder.

5. General.

(a) Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

(b) Entire Agreement. Each party hereby acknowledges that no other party or any other person or entity has made any promises, warranties, understandings or representations whatsoever, express or implied, not contained in this Agreement and acknowledges that it has not executed this Agreement in reliance upon any such promises, representations, understandings or warranties not contained herein and that this Agreement supersedes all prior agreements and understandings between the parties with respect thereto. There are no promises, covenants or undertakings other than those expressly set forth or provided for in this Agreement.

(c) Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware without regard to any applicable conflicts of law.

(d) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

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(e) Notices. All notices and other communications required or permitted hereunder shall be in writing. Notices shall be delivered personally, via recognized overnight courier (such as Federal Express, DHL or Airborne Express) or via certified or registered mail. Notices may be delivered via facsimile or e-mail, provided that by no later than two days thereafter such notice is confirmed in writing and sent via one of the methods described in the previous sentence. Notices shall be addressed to the address of each Stockholder as is set forth on the books and records of the Company, or at such other address or facsimile number as such Stockholder shall have furnished in writing to the other parties hereto. All notices shall be effective upon receipt.

(f) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction to the greatest extent possible to carry out the intentions of the parties hereto.

(g) Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such nonbreaching or nondefaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring.

(h) Facsimile Signatures. Any signature page delivered by a fax machine shall be binding to the same extent as an original signature page, with regard to any agreement subject to the terms hereof or any amendment thereto.

(i) Amendment and Waiver. This Agreement may not be amended, modified, altered or supplemented except upon the execution and delivery of an instrument in writing signed by all parties hereto. Any action, extension or waiver by any party of any provision hereto shall be valid only if set forth in an instrument in writing signed on behalf of such party.

6. Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in a court of the United States. This being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto waives any right to trial by jury with respect to any claim or proceeding related to or arising out of this Agreement or any of the transactions contemplated hereby.

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7. Notification Requirement. Each Stockholder hereby agrees, while this Agreement is in effect, to promptly notify the Company and the Purchaser of the number of Shares acquired by, or Transferred by, such Stockholder, if any, after the date hereof.

IN WITNESS WHEREOF, each party hereto has signed this Agreement as of the date first written above.

Counterpart Signatures Follow

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Execution of Lock-Up Agreement by Counterpart Signatures

The undersigned hereby executes the Lock-Up Agreement, dated as of April 13, 2006, by and among Pacific Ethanol, Inc., Cascade Investment, L.L.C. and the Stockholders listed on Schedule I hereto.

PACIFIC ETHANOL, INC.

By: _____
Name:
Title:

Execution of Lock-Up Agreement by Counterpart Signatures

The undersigned hereby executes the Lock-Up Agreement, dated as of April 13, 2006, by and among Pacific Ethanol, Inc., Cascade Investment, L.L.C. and the Stockholders listed on Schedule I hereto.

CASCADE INVESTMENT, L.L.C.

By: _____
 Name:
 Title:

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Execution of Lock-Up Agreement by Counterpart Signatures

The undersigned hereby executes the Lock-Up Agreement, dated as of April 13, 2006, by and among Pacific Ethanol, Inc., Cascade Investment, L.L.C. and the Stockholders listed on Schedule I hereto.

STOCKHOLDERS

By: _____
 William L. Jones

By: _____
 Neil M. Koehler

By: _____
 Ryan W. Turner

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SCHEDULE I

STOCKHOLDER	COMMON STOCK	OPTIONS/WARRANTS	TRANSFERABLE SHARES
William L. Jones(1)	2,500,000	50,000	1,000,000
Neil M. Koehler	4,188,139	—	1,675,256
Ryan W. Turner(1)	914,166	—	365,666
Total	7,602,305	50,000	3,040,922

(1) See Voting Agreement, dated as of October 27, 2003, among Southern Counties Oil Co., William C. Jones and Maurine Jones, Ryan W. Turner and Wendy Turner and Andrea Jones.

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