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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## SCHEDULE 13D

Under the Securities Exchange Act of 1934  
(Amendment No. 3)\*

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### Pacific Ethanol, Inc.

(Name of Issuer)

Common Stock, \$0.001 par value  
(Title of Class of Securities)

69423U305  
(CUSIP Number)

Janet Miller  
Chief Operating Officer and General Counsel  
Candlewood Investment Group, LP  
555 Theodore Fremd Ave., Suite C-303  
Rye, NY 10580  
(212) 493-4495

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

December 12, 2016  
(Date of Event Which Requires Filing of this Statement)

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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.

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

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\* 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, as amended ("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).

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1.	Names of Reporting Persons.  Candlewood Investment Group, LP	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3.	SEC Use Only	
4.	Source of Funds (See Instructions)  AF	
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/>	
6.	Citizenship or Place of Organization  Delaware	
Number of Shares Beneficially Owned by Each Reporting Person With	7.	Sole Voting Power  0
	8.	Shared Voting Power  7,152,908
	9.	Sole Dispositive Power  0
	10.	Shared Dispositive Power  7,152,908
11.	Aggregate Amount Beneficially Owned by Each Reporting Person  7,152,908	
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
13.	Percent of Class Represented by Amount in Row (11)  18.0%	
14.	Type of Reporting Person (See Instructions)  IA	

1.	Names of Reporting Persons.  Michael Lau	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3.	SEC Use Only	
4.	Source of Funds (See Instructions)  AF	
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/>	
6.	Citizenship or Place of Organization  United States	
Number of Shares Beneficially Owned by Each Reporting Person With	7.	Sole Voting Power  0
	8.	Shared Voting Power  7,152,908
	9.	Sole Dispositive Power  0
	10.	Shared Dispositive Power  7,152,908
11.	Aggregate Amount Beneficially Owned by Each Reporting Person  7,152,908	
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
13.	Percent of Class Represented by Amount in Row (11)  18.0%	
14.	Type of Reporting Person (See Instructions)  IN	

1.	Names of Reporting Persons.  David Koenig	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3.	SEC Use Only	
4.	Source of Funds (See Instructions)  AF	
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/>	
6.	Citizenship or Place of Organization  United States	
Number of Shares Beneficially Owned by Each Reporting Person With	7.	Sole Voting Power  0
	8.	Shared Voting Power  7,152,908
	9.	Sole Dispositive Power  0
	10.	Shared Dispositive Power  7,152,908
11.	Aggregate Amount Beneficially Owned by Each Reporting Person  7,152,908	
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
13.	Percent of Class Represented by Amount in Row (11)  18.0%	
14.	Type of Reporting Person (See Instructions)  IN	

1.	Names of Reporting Persons.  Phil DeSantis	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3.	SEC Use Only	
4.	Source of Funds (See Instructions)  AF	
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/>	
6.	Citizenship or Place of Organization  United States	
Number of Shares Beneficially Owned by Each Reporting Person With	7.	Sole Voting Power  0
	8.	Shared Voting Power  7,152,908
	9.	Sole Dispositive Power  0
	10.	Shared Dispositive Power  7,152,908
11.	Aggregate Amount Beneficially Owned by Each Reporting Person  7,152,908	
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
13.	Percent of Class Represented by Amount in Row (11)  18.0%	
14.	Type of Reporting Person (See Instructions)  IN	

1.	Names of Reporting Persons.  Jonathan Weiss	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3.	SEC Use Only	
4.	Source of Funds (See Instructions)  AF	
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/>	
6.	Citizenship or Place of Organization  United States	
Number of Shares Beneficially Owned by Each Reporting Person With	7.	Sole Voting Power  0
	8.	Shared Voting Power  7,152,908
	9.	Sole Dispositive Power  0
	10.	Shared Dispositive Power  7,152,908
11.	Aggregate Amount Beneficially Owned by Each Reporting Person  7,152,908	
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
13.	Percent of Class Represented by Amount in Row (11)  18.0%	
14.	Type of Reporting Person (See Instructions)  IN	

1.	Names of Reporting Persons.  Candlewood Investment Group General, LLC	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3.	SEC Use Only	
4.	Source of Funds (See Instructions)  AF	
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/>	
6.	Citizenship or Place of Organization  Delaware	
Number of Shares Beneficially Owned by Each Reporting Person With	7.	Sole Voting Power  0
	8.	Shared Voting Power  7,152,908
	9.	Sole Dispositive Power  0
	10.	Shared Dispositive Power  7,152,908
11.	Aggregate Amount Beneficially Owned by Each Reporting Person  7,152,908	
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
13.	Percent of Class Represented by Amount in Row (11)  18.0%	
14.	Type of Reporting Person (See Instructions)  OO	

1.	Names of Reporting Persons.  Candlewood Special Situations General, LLC	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3.	SEC Use Only	
4.	Source of Funds (See Instructions)  AF	
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/>	
6.	Citizenship or Place of Organization  Delaware	
Number of Shares Beneficially Owned by Each Reporting Person With	7.	Sole Voting Power  0
	8.	Shared Voting Power  7,004,239
	9.	Sole Dispositive Power  0
	10.	Shared Dispositive Power  7,004,239
11.	Aggregate Amount Beneficially Owned by Each Reporting Person  7,004,239	
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
13.	Percent of Class Represented by Amount in Row (11)  17.7%	
14.	Type of Reporting Person (See Instructions)  OO	



1.	Names of Reporting Persons.  Candlewood Special Situations Master Fund, Ltd.	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
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) <input type="checkbox"/>	
6.	Citizenship or Place of Organization  Cayman Islands	
Number of Shares Beneficially Owned by Each Reporting Person With	7.	Sole Voting Power  0
	8.	Shared Voting Power  3,970,221
	9.	Sole Dispositive Power  0
	10.	Shared Dispositive Power  3,970,221
11.	Aggregate Amount Beneficially Owned by Each Reporting Person  3,970,221	
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
13.	Percent of Class Represented by Amount in Row (11)  10.0%	
14.	Type of Reporting Person (See Instructions)  OO	

1.	Names of Reporting Persons.  CWD OC 522 Master Fund, Ltd.	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
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) <input type="checkbox"/>	
6.	Citizenship or Place of Organization  Cayman Islands	
Number of Shares Beneficially Owned by Each Reporting Person With	7.	Sole Voting Power  0
	8.	Shared Voting Power  2,056,549
	9.	Sole Dispositive Power  0
	10.	Shared Dispositive Power  2,056,549
11.	Aggregate Amount Beneficially Owned by Each Reporting Person  2,056,549	
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
13.	Percent of Class Represented by Amount in Row (11)  5.2%	
14.	Type of Reporting Person (See Instructions)  OO	

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#### **Item 4. Purpose of Transaction**

Item 4 is amended and restated as follows:

The Reporting Persons became beneficial owners of more than 5% of the outstanding Common Stock in connection with the Aventine Purchase, when the Reporting Persons received shares of Common Stock, as well as shares of Non-Voting Common Stock, as consideration for their ownership of Aventine.

The Reporting Persons believe that the public markets, which represent only a small portion of the ethanol industry's ownership profile, currently undervalue the Common Stock of the Issuer (together with other securities of the Issuer, the "Securities") based on transactions in assets comparable to the Issuer's assets. The Reporting Persons believe that, in light of Issuer's substantial asset holdings, certain of which are currently unencumbered by debt (based on the Reporting Persons' review of the Issuer's public filings), and potential strategic interest in other ethanol related production assets, there are transactions that the Issuer can engage in to improve shareholder value. The Reporting Persons have engaged, and may continue to engage, in constructive dialogue with the Issuer's Board of Directors and third parties regarding various strategic alternatives including, but not limited to, capital structure optimization, asset monetization or a sale or merger of the Issuer (including, without limitation, transactions that would cause the Issuer to cease being a public company).

In addition, subject to a number of factors, including the market valuation of the Issuer, changes in market or industry conditions, other investment opportunities and capital available to the Reporting Persons, and the availability of Securities at prices that would make the purchase or sale of such Securities desirable, the Reporting Persons may endeavor (i) to increase or decrease their respective ownership in the Issuer through, among other things, the purchase or sale of Securities on the open market or in private transactions on such terms and at such times as the Reporting Persons may deem advisable and/or (ii) to enter into transactions that increase or decrease their economic exposure to the Common Stock without affecting their beneficial ownership of shares of Common Stock.

The Reporting Persons intend to review their investment in the Issuer on a continuing basis and may from time to time in the future express their views to and/or meet with management, the Board of Directors of the Issuer or third parties. The Reporting Persons may in the future formulate plans or proposals regarding the Issuer's business, strategies, assets, corporate governance, Board of Directors composition, and other matters related to the Issuer that are referred to in paragraphs (a) through (j) of Item 4 of Schedule 13D. The Reporting Persons may also change their intention with any of the foregoing matters.

#### **Item 5. Interest in Securities of the Issuer**

Item 5 is amended and restated as follows:

(a)-(b) The information set forth in rows 7 through 13 of the cover pages to this Schedule 13D is incorporated by reference. The percentage set forth in row 13 is based on 39,634,084 outstanding shares of Common Stock as of November 8, 2016, as reported in the Issuer's Form 10-Q filed on November 8, 2016. Certain private investment funds advised by the Investment Manager or an entity controlled by the Investment Manager, including the Special Situations Fund and the OC Fund, directly hold the shares of Common Stock. The Fund GP serves as general partner to certain of these private investment funds, including the Special Situations Fund and the OC Fund.

The Special Situations Fund, the OC Fund and certain other private investment funds advised by the Investment Manager or an entity controlled by the Investment Manager also directly hold shares of non-voting common stock, \$0.001 par value, of the Issuer (the "Non-Voting Common Stock"). The Special Situations Fund holds 1,797,147 shares of Non-Voting Common Stock; the OC Fund holds 1,350,577 shares of Non-Voting Common Stock; and certain other private investment funds advised by the Investment Manager or an entity controlled by the Investment Manager hold, in the aggregate, 391,744 shares of Non-Voting Common Stock. The Non-Voting Common Stock are convertible on a one-for-one basis into Common Stock (i) if the holder of such shares of Non-Voting Common Stock and any of its affiliates would not, after such conversion, beneficially own greater than 9.99% of the Company's outstanding shares of Common Stock and (ii) no earlier than sixty-one days after the Company receives a notice of conversion from the holder. Because the Reporting Persons cannot acquire such converted Common Stock within sixty days, they do not have beneficial ownership of such converted Common Stock.

(c) Schedule B sets forth all transactions with respect to the Common Stock effected by any Reporting Person and any person named in Schedule A during the past sixty days.

(d) The private investment funds advised by the Investment Manager or an entity controlled by the Investment Manager that directly hold the shares of Common Stock have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the shares of Common Stock (the "Economic Interest") reported as beneficially owned by the Investment Manager, the Fund GP, the Manager GP and the Managing Partners. The Economic Interest of each of the Special Situations Fund and the OC Fund exceeds five percent of the Common Stock.

(e) Not applicable

#### **Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer**

Item 6 is amended and supplemented as follows:

##### *Note Purchase Agreement*

On December 12, 2016, three entities to which the Investment Manager serves as the investment manager and the Fund GP serves as a member (the "Candlewood Note Purchasers"), along with other entities not affiliated with any of the Reporting Persons, entered into a Note Purchase Agreement with the Issuer (the "Note Purchase Agreement"). The Candlewood Note Purchasers agreed to purchase an aggregate principal amount of \$33,440,052 of senior secured notes (the "Notes") under the Note Purchase Agreement for an aggregate purchase price of \$32,436,850, which reflects a 3% discount to the aggregate principal amount purchased.

The Notes will be issued at the closing and will mature on December 15, 2019 (the "Maturity Date"). Interest on the Notes will accrue

at a rate equal to (i) the greater of 1% and the three-month London Interbank Offered Rate (“LIBOR”), plus 7.0% from the closing through December 14, 2017, (ii) the greater of 1% and LIBOR, plus 9% between December 15, 2017 and December 14, 2018 and (iii) the greater of 1% and LIBOR plus 11% between December 15, 2018 and the Maturity Date. The interest rate will increase by an additional 2% per annum above the interest rate otherwise applicable upon the occurrence, and during the continuance, of an event of default until such event of default has been cured. The Issuer is required to pay all outstanding principal and any accrued and unpaid interest on the Notes on the Maturity Date. The Notes will be secured by a first-priority security interest in the Issuer’s wholly-owned subsidiary, PE Op. Co., pursuant to the terms of a Security Agreement to be entered into at the closing.

The Candlewood Note Purchasers expect the transactions contemplated by the Note Purchase Agreement to close on or prior to December 31, 2016. The Issuer or any investor under the Note Purchase Agreement may terminate the Note Purchase Agreement if the closing does not occur on or prior to January 11, 2017.

**Item 7. Material to be Filed as Exhibits.**

Item 7 is amended and supplemented as follows:

Exhibit 2 Note Purchase Agreement, dated December 12, 2016, by and between Pacific Ethanol, Inc. and the Investors (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Issuer on December 12, 2016)

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**SIGNATURES**

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: December 14, 2016

CANDLEWOOD INVESTMENT GROUP, LP

By: /s/ Janet Miller

Name: Janet Miller

Title: COO/GC/Authorized Person

CANDLEWOOD INVESTMENT GROUP  
GENERAL, LLC

By: /s/ Michael Lau

Name: Michael Lau

Title: Manager

CANDLEWOOD SPECIAL SITUATIONS MASTER  
FUND, LTD.

By: /s/ David Koenig

Name: David Koenig

Title: Portfolio Manager

CWD OC 522 MASTER FUND, LTD.

By: /s/ David Koenig

Name: David Koenig

Title: Portfolio Manager

CANDLEWOOD SPECIAL SITUATIONS  
GENERAL, LLC

By: /s/ Michael Lau

Name: Michael Lau

Title: Class A Member

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/s/ Michael Lau

Michael Lau

/s/ David Koenig

David Koenig

/s/ Phil DeSantis

Phil DeSantis

/s/ Jonathan Weiss

Jonathan Weiss

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**Schedule B**

Except as otherwise noted below, all such transactions were sales of Common Stock effected in the open market.

<u>Name</u>	<u>Date of Transaction</u>	<u>Amount of Securities</u>	<u>Price per Share</u>
Special Situations Fund	December 12, 2016	1,737,390(1)	\$ 9.33
OC Fund	December 12, 2016	1,026,379(1)	\$ 9.33
Funds advised by an entity controlled by the Investment Manager	December 12, 2016	88,231(1)	\$ 9.33
Special Situations Fund	December 12, 2016	76,148(1)	\$ 10.3345(2)
OC Fund	December 12, 2016	44,985(1)	\$ 10.3345(2)
Funds advised by an entity controlled by the Investment Manager	December 12, 2016	3,867(1)	\$ 10.3345(2)

- (1) The shares sold were allocated among the selling private investment funds pursuant to the Investment Manager's trade allocation policy.
- (2) The transactions were executed in multiple trades at prices ranging from \$10.05 to \$10.75. The price above reflects the weighted average sales price. Detailed information regarding the number of shares sold at each separate price will be provided upon request by the staff of the Securities and Exchange Commission.