

UNITED STATES
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 22, 2020

PACIFIC ETHANOL, INC.

(Exact Name of Registrant as Specified in 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, California**

(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))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------------------|-------------------|--|
| Common Stock, \$0.001 par value | PEIX | The Nasdaq Stock Market LLC (Nasdaq Capital Market) |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement.

Note Amendment No. 6

On May 26, 2020, Pacific Ethanol, Inc. (the “Company”) and the holders (the “Noteholders”) of those certain Amended and Restated Senior Secured Notes dated as of December 22, 2019 in favor of the Noteholders (the “Amended Notes”) entered into Note Amendment No. 6 (“Note Amendment No. 6”) dated May 26, 2020 by and among the Company and the Noteholders under which the parties agreed to amend the Amended Notes by waiving the requirement that the Company make an interest payment on May 20, 2020 in the aggregate amount of approximately \$2.47 million. The failure of the Noteholders to waive such interest payment by May 26, 2020 would have resulted in an Event of Default as such term is defined in the Amended Notes.

Note Amendment No. 6 also deferred the due date of one-third of the May 20, 2020 interest payment to May 27, 2020, with the remainder due and payable on or before June 20, 2020, subject to certain conditions. The May 27 payment was timely made. The Company also agreed to provide a restructuring plan to certain Noteholders by no later than June 12, 2020.

Note Amendment No. 6 also contains customary representations and warranties and other customary terms and conditions.

A description of the Amended Notes is set forth in the Company’s Current Report on Form 8-K for December 20, 2019 filed with the Securities and Exchange Commission on December 26, 2019 and is incorporated herein by this reference.

The description of Note Amendment No. 6 does not purport to be complete and is qualified in its entirety by reference to Note Amendment No. 6, which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by this reference.

Second Amendment to Amended and Restated Employment Agreement for Neil M. Koehler

On May 22, 2020, the Company and Neil M. Koehler entered into a Second Amendment to Amended and Restated Employment Agreement (the “Second Amendment”) for Neil M. Koehler effective as of May 22, 2020, further amending that certain Amended and Restated Employment Agreement dated November 7, 2016 by and between the Company and Neil M. Koehler, as amended by that certain Amendment to Amended and Restated Employment Agreement dated as of August 1, 2018 by and between the Company and Neil M. Koehler (as amended, the “Employment Agreement”).

The Second Amendment amended certain provisions of the Employment Agreement in connection with a planned transition of Mr. Koehler’s executive management of the Company leading to his retirement. In furtherance of that plan, the Second Amendment amended his position from President and Chief Executive Officer to Co-President and Co-Chief Executive Officer. The Second Amendment also added a provision that Mr. Koehler will submit his resignation effective on September 30, 2020. The Second Amendment also removed certain cash severance payments in the event of a change of control and amended the payment of any cash severance from a lump sum payment to substantially equal installments on the Company’s regular payroll schedule. The Second Amendment also changed the accelerated vesting of any equity awards granted to Mr. Koehler which remain unvested as of the separation date from 25% to 100%.

The Second Amendment also contains customary representations and warranties and other customary terms and conditions.

The description of the Second Amendment does not purport to be complete and is qualified in its entirety by reference to the Second Amendment, which is filed as Exhibit 10.2 to this Current Report on Form 8-K and is incorporated herein by this reference.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On May 26, 2020, the Company and the Noteholders entered into Note Amendment No. 6, as described in Item 1.01 above and incorporated herein by this reference.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On May 22, 2020, Neil M. Koehler, the Company's President and Chief Executive Officer, informed the Company that he intends to retire from his positions as President and Chief Executive Officer effective on September 30, 2020. Effective as of May 22, 2020, and continuing until his retirement, Mr. Koehler will no longer serve as the Company's President and Chief Executive Officer and will instead serve as the Company's Co-President and Co-Chief Executive Officer. Mr. Koehler will continue to serve on the Company's board of directors until his successor takes office.

On May 22, 2020, the Company appointed Michael D. Kandris as the Company's Co-President and Co-Chief Executive Officer. Mr. Kandris will serve as the Company's Co-President and Co-Chief Executive Officer in addition to his current role as the Company's Chief Operating Officer until Mr. Koehler's retirement, at which point he will serve as the Company's President, Chief Executive Officer and Chief Operating Officer.

Michael D. Kandris, age 72, has served as a director since June 2008 and as the Company's Chief Operating Officer since January 6, 2013. Mr. Kandris served as an independent contractor with supervisory responsibility for ethanol plant operations, under the direction of the Company's Chief Executive Officer, from January 1, 2012 to January 5, 2013. Mr. Kandris was President, Western Division of Ruan Transportation Management Systems from November 2008 until his retirement in September 2009. From January 2000 to November 2008, Mr. Kandris served as President and Chief Operating Officer of Ruan Transportation Management Systems, where he had overall responsibility for all operations, finance and administrative functions. Mr. Kandris has 30 years of experience in all modes of transportation and logistics. Mr. Kandris served on the Executive Committee of the American Trucking Association and as a board member for the National Tank Truck Organization until his retirement from Ruan Transportation Management Systems in September 2009. Mr. Kandris has a B.S. degree in Business from California State University, Hayward.

Mr. Kandris's qualifications to serve as the Company's Co-President and Co-Chief Executive Officer and, upon Mr. Koehler's retirement, as the Company's President, Chief Executive Officer and Chief Operating Officer, include:

- extensive experience in various executive leadership positions;
- extensive experience in rail and truck transportation and logistics; and
- day-to-day leadership experience, which gives him a deep understanding of business operations, challenges and opportunities.

There are no family relationships between Mr. Kandris and any of the Company's directors or executive officers.

On May 29, 2020, the Company issued a press release announcing Mr. Koehler's retirement as President and Chief Executive Officer on September 30, 2020 and the appointment of Mr. Kandris as Co-President and Co-Chief Executive Officer. The press release also announced that the Company has increased its focus on high-quality alcohol production, that it expects positive earnings before interest, taxes, depreciation and amortization for the second quarter and full year 2020 and that it is current with its lenders and has paid \$16.0 million in principal on term debt year to date. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Number | Description |
|---------------|--|
| 10.1 | <u>Note Amendment No. 6 dated as of May 26, 2020 by and among Pacific Ethanol, Inc. and the noteholders named therein (*)</u> |
| 10.2 | <u>Second Amendment to Amended and Restated Employment Agreement for Neil M. Koehler effective as of May 22, 2020 by and between Pacific Ethanol, Inc. and Neil M. Koehler (*)</u> |
| 99.1 | <u>Press Release dated May 29, 2020</u> |

(*) 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.

SIGNATURE

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 29, 2020

PACIFIC ETHANOL, INC.

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

NOTE AMENDMENT NO. 6

THIS NOTE AMENDMENT NO. 6. (this “**Amendment**”) is dated as of May 26, 2020 by and among Pacific Ethanol, Inc., a Delaware corporation (the “**Company**”) and the Noteholders. Capitalized terms used and not otherwise defined in this Amendment shall have the meanings attributed to them in the Amended Note Agreement and Notes (as defined below).

RECITALS:

WHEREAS, pursuant to that certain Senior Secured Note Amendment Agreement dated December 22, 2019 (the “**Amended Note Agreement**”) between the Company and the Noteholders, the Company has issued those certain Amended and Restated Senior Secured Notes with an Issuance Date of December 22, 2019 in the aggregate original principal amount of \$65,649,177.91 (the “**Notes**”);

WHEREAS, pursuant to Section 2 of the Notes, the Company is required to make an Interest payment on May 20, 2020 in the aggregate amount of \$2,466,839.40 and the failure to do so is an Event of Default under Section 3.1(a)(ii) of the Notes if such failure shall continue unremedied for a period of five (5) or more days (such default and Event of Default, the “**Specified Default**”);

WHEREAS, the Company has requested, and the Noteholders have agreed to (a) waive the Specified Default, and (b) defer the due date of the May 20, 2020 Interest payment; and

WHEREAS, the Company and the Noteholders desire to (a) amend the Notes to waive the Specified Default, and (b) extend the time for the payment of the May 20, 2020 Interest payment in accordance with and subject to the conditions and amendments set forth herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Noteholders agree as follows:

1. Waiver. Upon the Effective Date (as defined below), the Noteholders hereby waive the Specified Default and waive the payment of any default Interest Rate described in Section 2 of the Notes in connection with the Specified Default. The above waiver of the Specified Default and the above waiver of such default Interest Rate shall be effective only in this specific instance and for the specific period and purpose for which it is given, and shall not entitle Company to any other or further consent, waiver or release in any similar or other circumstances.

2. Amendments to the Notes

(a) Section 2 of the Notes is hereby amended by amending and restating the first sentence of Section 2 to read as follows:

“Interest on this Note shall accrue at the applicable Interest Rate and shall commence accruing on the Issuance Date and Interest shall be computed on the basis of a 360-day year and twelve 30-day months and shall be payable in cash to the record Holder in arrears on March 15, June 15, September 15 and December 15 of each calendar year and ending on the repayment of the Note; provided, however, that notwithstanding the foregoing, Interest for the period ending May 20, 2020 (the “**May 2020 Interest Payment**”) shall be paid as follows: one-third of the May 2020 Interest Payment shall be due and payable in US dollars on May 27, 2020; and the remainder of May 2020 Interest Payment shall be due and payable in US dollars on or before June 20, 2020, unless an Event of Default occurs, in which case the May 2020 Interest Payment shall be payable on demand of the Holder.”

(b) A new Section 5.21 is hereby added to the Notes to read as follows:

“5.21 Restructuring Plan. The Company shall, no later than June 12, 2020, deliver to the Required Noteholders a restructuring plan approved by the Company’s board of directors, managers, or shareholders (as applicable) in accordance with the Company’s organizational documents, setting forth, in form and substance reasonably satisfactory to the Required Noteholders, the Company’s proposed restructuring of its indebtedness, capital structure and operations.”

3 . Conditions Precedent to the Effectiveness of This Amendment. This Amendment will become effective on the date the following conditions are satisfied (the “**Effective Date**”):

(a) receipt by the Noteholders of this Amendment, duly executed by each party thereto, in form and substance reasonable satisfactory to the Noteholders; and

(b) the representations and warranties in Section 4 are true and correct.

Notwithstanding the foregoing, the Effective Date shall be deemed to have not occurred and the amendment contemplated by Section 2 shall be deemed to not be effective if, on or before May 27, 2020, the following shall not have occurred: (i) payment in full of all fees, costs and expenses of Morrison & Foerster LLP, Cortland Products Corp., and Arnold & Porter Kaye Scholer LLP, and (ii) payment of \$822,279.80, constituting a portion of the May 2020 Interest Payment, with the remaining May 2020 Interest Payment due in accordance with Section 2 of the Notes, as amended hereby.

All fees, costs and expenses paid hereunder shall be paid in immediately available funds, nonrefundable and shall not be subject to reduction by way of setoff, counterclaim, or otherwise.

4. Representations and Warranties. To induce the Noteholders to enter into this Amendment, the Company represents and warrants that:

(a) the representations and warranties contained in the Note Amendment Agreement are true and correct in all material respects as of the date hereof, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date (for purposes of this Section, each reference to Transaction Document therein shall be deemed to include a reference to this Amendment and each of the other Transaction Documents being entered into in connection with this Amendment); and

(b) both before and after giving effect to the transactions contemplated by this Amendment and the other Transaction Documents being entered into in connection with this Amendment, there exists no default or Event of Default (other than the Specified Default).

5. Reaffirmation. The Company hereby affirms and agrees that: (a) the execution and delivery by the Company or any Subsidiary of and the performance of such Person's obligations thereunder shall not in any way amend, impair, invalidate or otherwise affect any of such Person's obligations under the Notes or any other Transaction Document, except as expressly amended hereby, (b) the Notes and the other Transaction Documents remain in full force and effect as written, except as expressly amended hereby, and (c) each Collateral Document remains in full force and effect to provide collateral security for the obligations under the Notes and the other Transaction Documents.

6. Release. To the extent that any offsets, defenses or claims that may exist arising out of or relating to this Amendment, the Notes or any of the other Transaction Documents and the transactions contemplated thereby against the Agent (as defined in the Security Agreement), any Noteholder or any of their respective subsidiaries, affiliates, officers, directors, employees, agents, attorneys, predecessors, successors or assigns, both present and former (collectively, the "**Released Parties**") whether asserted or unasserted, by execution of this Amendment, the Company, for itself and its subsidiaries and affiliates and each of their respective successors, assigns, affiliates, subsidiaries, predecessors, employees, heirs and executors, as applicable (collectively, "**Releasers**"), jointly and severally, release and forever discharge each of the Released Parties of and from any and all manner of actions, causes of action, torts, suits, debts, controversies, damages, judgments, executions, claims and demands whatsoever, asserted or unasserted, in law or in equity, that exist or have occurred on or prior to the date of this Amendment, arising out of or relating to this Amendment, the Notes or any of the other Transaction Documents which any of the Releasers ever had or now have against any of the Released Parties, including, without limitation, any presently existing claim whether or not presently suspected, contemplated or anticipated.

7. Costs and Expenses, Indemnification, etc.

(a) Notwithstanding anything to the contrary in any other Transaction Document and in addition to all of the other obligations under the Transaction Documents, the Company shall pay all out of pocket expenses fees, expenses and disbursements of Morrison & Foerster LLP and Arnold & Porter Kaye Scholer LLP in connection with (i) the preparation, negotiation, execution and delivery of the Transaction Documents, including the post-closing obligations described in Section 4 above, (ii) any amendments, modifications or waivers of the provisions to the Transaction Documents (whether or not the transactions contemplated thereby shall be consummated), and (iii) the enforcement or protection of its rights in connection with the Transaction Documents, including its rights under this Section, as incurred during any workout, restructuring or negotiations in respect thereof and the fees, charges and disbursements of counsel (provided that in the case of clauses (ii) and (iii) and any financial advisor or law firm, such amounts shall be limited to one financial advisor or law firm for the Agent (as defined in the Security Agreement) and one financial advisor or law firm for all "Noteholders" (other than, in the case of a law firm, any bona fide conflict of interest) plus one law firm of local counsel in each relevant jurisdiction).

(b) Notwithstanding anything to the contrary in any other Transaction Document and in addition to all of the other obligations under the Transaction Documents, the Company shall defend, protect, indemnify and hold harmless the Agent (as defined in the Security Agreement), each Noteholder and all of their respective affiliates, stockholders, partners, members, officers, directors, counsel, advisors, employees and direct or indirect Noteholders and any of the foregoing Persons' agents or other representatives and those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company or any Subsidiary in the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Company or any Subsidiary contained in the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, (c) any actual or alleged presence or release of hazardous materials on or from any property owned or operated by the Company or any Subsidiary, or any environmental liability related in any way to the Company or any Subsidiary, or (d) any cause of action, suit or claim brought or made against such Indemnitee by a third party (including for these purposes a derivative action brought on behalf of the Company or any Subsidiary) and arising out of or resulting from (i) the execution, delivery, performance or enforcement of the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, or (ii) the status of such Noteholder as a Noteholder of the Company pursuant to the transactions contemplated by the Transaction Documents; provided, however, that no Noteholder will be entitled to indemnification hereunder for any Indemnified Liabilities resulting, as determined by a non-appealable judgement of a court of competent jurisdiction from (w) such Indemnitee's material breach of applicable laws, rules or regulations, including, without limitation, any breach by such Indemnitee of any federal or state securities laws, rules or regulations with respect to short sales or other hedging activities, (x) such Indemnitee's breach of any environmental laws, rules or regulations, (y) such Noteholder's or Indemnitee's material breach of any covenant, agreement or obligation of such Noteholder contained in the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, or (z) the gross negligence or willful misconduct of such Indemnitee. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law.

(c) To the fullest extent permitted by applicable law, the Company hereby agrees on behalf of itself and each of its subsidiaries and affiliates that it shall not assert, and hereby waives, any claim against any of the Released Parties, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Amendment, any other Transaction Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Note, or the use of the proceeds thereof.

(d) All amounts due under this Section shall be payable within fifteen (15) days after demand therefor.

(e) Each party's obligations under this Section shall survive the termination of the Transaction Documents and payment of the obligations thereunder.

8. No other Amendments; Counterparts; etc. Except as otherwise provided in this Amendment, no other amendments to the Notes are hereby made or intended and the Notes remain in full force and effect and legally binding on the Company. This Amendment may be executed in counterparts, all of which when taken together will constitute one and the same document. If any provision of this Amendment is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Amendment shall not in any way be affected or impaired thereby. This Amendment is a Transaction Document.

9. Governing Law. This Amendment shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Amendment 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.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Company and the Noteholders have executed this Note Amendment No. 6 as of the date first set forth above.

COMPANY:

PACIFIC ETHANOL, INC.

By: /s/ Bryon T. McGregor
Name: Bryon T. McGregor
Title: Chief Financial Officer

[Noteholders' Signature Pages Follow]

[Holder Signature Page to Note Amendment No. 6]

ACCEPTED AND AGREED:

NOTEHOLDERS:

CKP SOUTH LLC

By: /s/ Philip DeSantis
Name: Philip DeSantis
Title: Managing Partner

[Holder Signature Page to Note Amendment No. 6]

CIF-INCOME PARTNERS (A), LLC

By: BlackRock Financial Management, Inc.,
its investment manager

By: /s/ Stephen Kavulich
Name: Stephen Kavulich
Title: Director

[Holder Signature Page to Note Amendment No. 6]

ORANGE 2015 DISLOCREDIT FUND, L.P.

By: BlackRock Financial Management, Inc.,
its investment manager

By: /s/ Stephen Kavulich
Name: Stephen Kavulich
Title: Director

[Holder Signature Page to Note Amendment No. 6]

SAINSBURY'S CREDIT OPPORTUNITIES FUND, LTD.

By: BlackRock Financial Management, Inc.,
its investment manager

By: /s/ Stephen Kavulich
Name: Stephen Kavulich
Title: Director

[Holder Signature Page to Note Amendment No. 6]

CO-INVESTMENT INCOME FUND, L.P. - US TAXABLE SERIES

By: BlackRock Financial Management, Inc.,
its investment manager

By: /s/ Stephen Kavulich
Name: Stephen Kavulich
Title: Director

[Holder Signature Page to Note Amendment No. 6]

CO-INVESTMENT INCOME FUND, L.P. - US TAX-EXEMPT SERIES

By: BlackRock Financial Management, Inc.,
its investment manager

By: /s/ Stephen Kavulich
Name: Stephen Kavulich
Title: Director

[Holder Signature Page to Note Amendment No. 6]

ALFRED J. DE LEO

/s/ Alfred J. De Leo

[Holder Signature Page to Note Amendment No. 6]

CORRUM CAPITAL ALTERNATIVE INCOME FUND LP

By /s/ Jonathan R. Mandle

Name: Jonathan R. Mandle

Title: Manager

[Holder Signature Page to Note Amendment No. 6]

**CORRUM CAPITAL GLOBAL CREDIT OPPORTUNITIES
CO INVESTMENT FUND I LP**

By /s/ Jonathan R. Mandle
Name: Jonathan R. Mandle
Title: Manager

[Holder Signature Page to Note Amendment No. 6]

CORRUM CAPITAL GLOBAL CREDIT OPPORTUNITIES FUND LP

By /s/ Jonathan R. Mandle

Name: Jonathan R. Mandle

Title: Manager

[Holder Signature Page to Note Amendment No. 6]

DAVID KOENIG

/s/ David Koenig

[Holder Signature Page to Note Amendment No. 6]

JONATHAN W. WEISS

/s/ Jonathan W. Weiss

[Holder Signature Page to Note Amendment No. 6]

JUSTIN S. WOHLER

/s/ Justin S. Wohler

[Holder Signature Page to Note Amendment No. 6]

PHILIP DESANTIS

/s/ Philip DeSantis

[Holder Signature Page to Note Amendment No. 6]

Pacific Ethanol, Inc.

**SECOND AMENDMENT TO
AMENDED AND RESTATED
EMPLOYMENT AGREEMENT
for
NEIL M. KOEHLER**

This Second Amendment (“Second Amendment”) to that certain Amended and Restated Employment Agreement (“Agreement”) by and between Neil M. Koehler (“Employee”) and Pacific Ethanol, Inc. (the “Company”) (collectively, the “Parties”) is effective as of May 22, 2020.

Whereas, the Parties entered into the Agreement on November 7, 2016, and an Amendment to the Agreement on August 1, 2018 (“First Amendment”), and now desire to further amend the Agreement to document the Parties understand regarding the terms and conditions of Employee’s retirement from the Company.

Now, Therefore, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

1. Planned Retirement. The Parties have reached agreement on a planned transition of executive management of the Company leading to Employee’s retirement. In furtherance of that plan, the Parties have agreed upon the modifications to the Employment Agreement provided for below.

2. Amendments.

2.1 Section 1.1 of the Agreement is hereby amended and restated in its entirety to read as follows:

“**1.1 Position.** Subject to terms and conditions set forth herein, the Company agrees to employ Employee in the positions of Co-Chief Executive Officer and Co-President and Employee hereby accepts such employment. During the term of Employee’s employment with the Company, Employee will devote Employee’s best efforts and substantially all of Employee’s business time and attention to the business of the Company.”

2.2 Section 5.1 of the Agreement is hereby amended and restated in its entirety to read as follows:

“**5.1 At-Will Relationship.** Employee’s employment relationship is at will. Either Employee or the Company may terminate the employment relationship at any time, with or without Cause or advance notice; **provided, however**, that Employee will submit his resignation effective on September 30, 2020.”

2.3 Section 5.2 of the Agreement is hereby amended and restated in its entirety to read as follows:

“5.2 Termination without Cause; Resignation for Good Reason. If, at any time, the Company terminates Employee’s employment without Cause (as defined herein), or Employee resigns with Good Reason (as defined herein), and, within sixty (60) days after the Employee’s Separation Date (as defined below), Employee executes and delivers the Separation Date Release of all claims set forth as Exhibit B hereto and allows such release to become effective without revoking same, then the Company will provide Employee with the following severance benefits:

(a) Cash Severance.

(i) Qualifying Termination. In the event the Company terminates Employee’s employment without Cause, or Employee resigns with Good Reason, the Company shall pay Employee cash severance in an amount equal to (i) eighteen (18) months of Employee’s Base Salary in effect on the date hereof, less (ii) the sum of Employee’s Base Salary paid from the date hereof until the Employee’s last day of employment (the “Separation Date”).

(ii) Payment. The cash severance shall be paid in substantially equal installments on the Company’s regular payroll schedule (subject to standard deductions and withholdings) over the applicable period following the Separation Date, commencing on the latter to occur of the Separation Date or the effective date of the Separation Date Release.

(b) Continued Health Insurance Coverage. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company’s then current group health insurance policies, Employee may be eligible to continue Employee’s then-current group health insurance benefits after termination of Employment. If eligible and if Employee timely elects continued health insurance coverage, in the event the Company terminates Employee’s employment without Cause, or Employee resigns with Good Reason, then the Company shall pay, on a monthly basis, the Company’s portion of any premiums necessary to provide such coverage for a period of eighteen (18) months after the Employee’s Separation Date; **provided, however,** that no such premium payments shall be made following the effective date of Employee’s coverage by a medical, dental or vision insurance plan of a subsequent employer. Employee shall notify the Company immediately if he becomes covered by a medical, dental or vision insurance plan of a subsequent employer. Notwithstanding the foregoing, Employee’s receipt of any amounts under this subsection are contingent upon the release of claims described in Section 5.2, so Employee may pay such amounts during this period and the Company will reimburse such amounts as soon as administratively practicable after the effective date of the release of claims described in Section 5.2 (except as otherwise set forth above) but in no event later than the 15th day of the third month immediately following the end of the calendar year in which Employee’s Separation Date occurs.

(c) Accelerated Vesting. If Employee has been employed by the Company as of the Separation Date for one full year or longer, and the Company terminates Employee's employment without Cause, or Employee resigns with Good Reason, then the Company will accelerate the vesting of any equity awards granted to Employee prior to Employee's Separation Date such that one hundred percent (100%) of all shares or options subject to such awards which are unvested as of the Employee's Separation Date shall be accelerated and deemed fully vested as of the effective date of the release of claims described in Section 5.2 (except as otherwise set forth above)."

2.4 The last sentence of Section 5.8(a) of the Agreement is hereby amended and restated in its entirety to read as follows:

"**Provided, however,** that in the event that an event described in subparagraph (iii) or (iv) above is reasonably capable of being cured, the Company shall provide written notice to the Employee describing the nature of such event and Employee shall thereafter have three (3) business days to cure such event."

2.5 The following sentence shall be added to the end of the definition of "**Good Reason**" in Section 5.8(b) of the Agreement:

"Notwithstanding anything in this Agreement to the contrary, Employee's resignation in accordance with the last sentence of Section 5.1 shall be deemed a resignation with Good Reason (without any requirement that Employee give advance notice), and such resignation shall have the economic and legal consequences of a resignation with Good Reason under this Agreement, as amended."

2.6 Section 5.8(c) of the Agreement, the definition of "**Change in Control,**" is hereby deleted in its entirety.

3. General Provisions.

3.1 No Other Amendments. Except as otherwise provided in this Second Amendment, no other amendments to the Agreement (including the Exhibits thereto), as amended by the First Amendment, are hereby made or intended, and the Agreement, as amended hereby, remains in full force and effect and legally binding on the Parties. This Second Amendment may be executed in counterparts, including facsimile counterparts.

3.2 Choice of Law. All questions concerning the construction, validity and interpretation of this Second Amendment will be governed by the laws of the State of California.

[Signature Page Follows]

In Witness Whereof, the parties have executed this Second Amendment.

Pacific Ethanol, Inc.

By: /s/ Ed Baker
Ed Baker
Vice President, Human Resources

Understood and Agreed:

Employee

/s/ Neil M. Koehler
Neil M. Koehler

Company IR Contact:
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**Pacific Ethanol, Inc. Increases Focus on High-Quality Alcohol Production;
Expects Positive EBITDA for Second Quarter and Full Year 2020; and
Announces Leadership Succession Plan**

Sacramento, CA, May 29, 2020 – Pacific Ethanol, Inc. (NASDAQ: PEIX) a leading producer and marketer of low-carbon renewable fuels and high-quality alcohol products in the United States, announced its increased focus on high-quality alcohol production and its leadership succession plan.

- The Board of Directors has appointed current COO, Mike Kandris, as Co-President and Co-CEO.
- Neil Koehler will retire as CEO and President on September 30, 2020 and will be working closely with Mr. Kandris during the transition period. Both gentlemen will remain on the Board of Directors.
- Management expects to report positive EBITDA for the second quarter and full year of 2020.
- The Company is current with its lenders and has paid \$16.0 million in principal on term debt year to date.

Pacific Ethanol Co-founder and Chairman of the Board Bill Jones said, “Demand for high-quality alcohol, the primary ingredient for hand sanitizers and disinfectants, has grown significantly since the onset of the COVID-19 pandemic. As COO, Mike has been a dynamic leader and was pivotal in implementing operational efficiencies and logistical modifications that increased the volume of high-quality alcohol at our Pekin, Illinois campus. These facilities have been part of our diversification strategy into high-quality alcohol, yeast, and additional high protein products and are performing well. We are confident Mike will advance additional initiatives and drive the next phase of our diversified strategy.”

Kandris said, “Our talented and committed team acted quickly to augment the high-quality production capacity in Pekin. A combination of factors, including lender support and PPP funding, provided us the financial means and time necessary to increase sales and negotiate forward contracts of high-quality alcohol with high contribution margins. As a result, we are forecasting strong financial performance at Pekin, which we expect to translate into positive EBITDA for the Company for the second quarter and full year of 2020. We plan to utilize this growing revenue stream and related profitability to resolve our lender issues, reduce Company debt, and strengthen our balance sheet. I appreciate Neil’s guidance during our transition, and I am excited about our future.”

Koehler added, “As we shift our emphasis to high quality alcohol production, this is an appropriate time for a transition. I am excited to work with Mike and the entire Pacific Ethanol team in supporting this new trajectory. I will also continue to advocate for the economic, carbon, octane, and health benefits of ethanol in my role as chairman of the Renewable Fuels Association.”

Jones concluded, “During his 17 years since co-founding Pacific Ethanol, Neil has provided great leadership, energy, and vision, including fostering our diversification strategy in high value products, geography, technology, and logistics. We are confident Neil will help facilitate a smooth transition. We are very optimistic about Pacific Ethanol’s ability to drive long-term shareholder value.”

Debt Repayment

The Company is current with its lenders and has paid \$16.0 million in principal on term debt year to date.

On May 26, 2020, the Company entered into a Note Amendment Agreement with the holders of its Senior Secured Notes, details of which can be found in a Form 8-K filed with the Securities and Exchange Commission today. The Company has also agreed to provide its lenders with a restructuring plan no later than June 12, 2020.

Mike Kandris, Co-President, Co-CEO and Director

Serving as a director since 2008, Mr. Kandris was named COO in 2013. Previously, for one year, he served as an independent contractor to the company with a primary focus on plant operations. Mr. Kandris has over 30 years of general management experience in the transportation and logistics industry. He was formerly President and Chief Operating Officer of Ruan Transportation Management Systems (RTMS) where he had responsibility for all operations, sales, finance, and administrative functions. He also served as President of the Western Division of RTMS, which was heavily involved in the dairy industry.

Mr. Kandris served on the Executive Committee of the American Trucking Association and as a board member for the National Tank Truck Organization. Mr. Kandris has a BS degree in Business from California State University, Hayward.

About Pacific Ethanol, Inc.

Pacific Ethanol, Inc. (PEIX) is a leading producer and marketer of low-carbon renewable fuels and high-quality alcohol products in the United States. Pacific Ethanol owns and operates seven production facilities in California, Idaho, Illinois and Oregon. The plants have a combined production capacity of 450 million gallons per year, and produce over two million tons per year of co-products – on a dry matter basis – such as wet and dry distillers grains, wet and dry corn gluten feed, condensed distillers solubles, corn gluten meal, corn germ, corn oil, distillers yeast and CO₂, based on historical volumes. Pacific Ethanol markets and distributes fuel-grade ethanol, high-quality alcohol products and co-products domestically and internationally. Pacific Ethanol’s subsidiary, Kinergy Marketing LLC, markets all ethanol and high-quality alcohol products for Pacific Ethanol’s plants as well as for third parties. Pacific Ethanol’s subsidiary, Pacific Ag. Products LLC, markets wet and dry distillers grains. For more information please visit www.pacificethanol.com.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Statements and information contained in this communication that refer to or include Pacific Ethanol's estimated or anticipated future results or other non-historical expressions of fact are forward-looking statements that reflect Pacific Ethanol's current perspective of existing trends and information as of the date of the communication. Forward looking statements generally will be accompanied by words such as "anticipate," "believe," "plan," "could," "should," "estimate," "expect," "forecast," "outlook," "guidance," "intend," "may," "might," "will," "possible," "potential," "predict," "project," or other similar words, phrases or expressions. Such forward-looking statements include, but are not limited to, statements about Pacific Ethanol's expectation that it will report positive EBITDA for the second quarter and full year of 2020 ; the anticipated outcome of Pacific Ethanol's strategic initiatives, including its diversification strategy into high-quality alcohol, yeast and additional high protein products; Pacific Ethanol's expectations it will execute additional initiatives and drive the next phase of its strategy; Pacific Ethanol's plans to utilize its growing revenue stream and related profitability to resolve its lender issues, reduce its debt, and strengthen its balance sheet; Pacific Ethanol's optimism surrounding its ability to drive long-term shareholder value; and Pacific Ethanol's plans, objectives, expectations and intentions. It is important to note that Pacific Ethanol's plans, objectives, expectations and intentions are not predictions of actual performance. Actual results may differ materially from Pacific Ethanol's current expectations depending upon a number of factors affecting Pacific Ethanol's business. These factors include, among others, adverse economic and market conditions, including for ethanol and its co-products and high-quality alcohols; export conditions and international demand for ethanol and co-products, including the failure of a resolution of United States trade disputes with China; fluctuations in the price of and demand for oil and gasoline; raw material costs, including ethanol production input costs, such as corn and natural gas; and the ability of Pacific Ethanol to timely and successfully advance on its strategic initiatives, including its ability to successfully negotiate a restructuring plan with its lenders. These factors also include, among others, the inherent uncertainty associated with financial and other projections; the anticipated size of the markets and continued demand for Pacific Ethanol's products; the impact of competitive products and pricing; the risks and uncertainties normally incident to the ethanol production and marketing industries; changes in generally accepted accounting principles; successful compliance with governmental regulations applicable to Pacific Ethanol's facilities, products and/or businesses; changes in laws, regulations and governmental policies; the loss of key senior management or staff; and other events, factors and risks previously and from time to time disclosed in Pacific Ethanol's filings with the Securities and Exchange Commission including, specifically, those factors set forth in the "Risk Factors" section contained in Pacific Ethanol's Form 10-Q filed with the Securities and Exchange Commission on May 14, 2020.