

Pacific Ethanol, Inc.  
Form 10-K/A  
April 02, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K/A**

**(Mark One)**

**☒ AMENDMENT NO. 1 TO ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2013  
OR**

**☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 000-21467**

**PACIFIC ETHANOL, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware** **41-2170618**  
**(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)**

**400 Capitol Mall, Suite 2060, Sacramento, California 95814**  
**(Address of principal executive offices) (Zip Code)**

**Registrant's telephone number, including area code: (916) 403-2123**

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

<b>Title of Class</b>	<b>Name of Exchange on Which Registered</b>
Common Stock, \$0.001 par value	The Nasdaq Stock Market LLC (Nasdaq Capital Market)

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting common equity held by nonaffiliates of the registrant computed by reference to the closing sale price of such stock, was approximately \$45.3 million as of June 28, 2013, the last business day of

the registrant's most recently completed second fiscal quarter. The registrant has no non-voting common equity.

The number of shares of the registrant's common stock, \$0.001 par value, outstanding as of April 1, 2014 was 17,960,266.

**DOCUMENTS INCORPORATED BY REFERENCE: None**

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## **EXPLANATORY NOTE**

This Amendment No. 1 (this “Amendment No. 1”) on Form 10-K/A amends the Annual Report on Form 10-K of Pacific Ethanol, Inc. (the “Company”, “we,” “us,” or “our”) for the year ended December 31, 2013 filed with the Securities and Exchange Commission on March 31, 2014 (the “Original Report”).

The purpose of this Amendment No. 1 is to include in Part III the information that was to be incorporated by reference to the Proxy Statement for our 2014 Annual Meeting of Stockholders. This Amendment No. 1 hereby amends Part III, Items 10 through 14, and Part IV, Item 15 of the Original Report.

The reference on the cover of the Original Report to the incorporation by reference of the registrant’s Definitive Proxy Statement into Part III of the Original Report is hereby amended to delete that reference.

Except for the additions and modifications described above, the Company has not modified or updated disclosures presented in the Original Report in this Amendment No. 1.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

#### Directors

The following table sets forth certain information regarding our directors as of April 1, 2014:

<b>Name</b>	<b>Age</b>	<b>Position(s) Held</b>
William L. Jones <sup>(1)</sup>	64	Chairman of the Board and Director
Neil M. Koehler	56	Chief Executive Officer, President and Director
Michael D. Kandris	66	Chief Operating Officer and Director
Terry L. Stone <sup>(2)</sup>	64	Director
John L. Prince <sup>(3)</sup>	71	Director
Douglas L. Kieta <sup>(3)</sup>	71	Director
Larry D. Layne <sup>(4)</sup>	73	Director

(1) Member of the Audit Committee

(2) Member of the Audit and Compensation Committees.

(3) Member of the Compensation and Nominating and Corporate Governance Committees.

(4) Member of the Audit, Compensation and Nominating and Corporate Governance Committees.

#### *Experience and Background*

The biographies below describe the skills, qualities and attributes and business experience of each of our directors, including the capacities in which they served during the past five years:

**William L. Jones** has served as Chairman of the Board and as a director since March 2005. Mr. Jones is a co-founder of Pacific Ethanol California, Inc., or PEI California, which is one of our predecessors, and served as Chairman of the Board of PEI California since its formation in January 2003 through March 2004, when he stepped off the board of

directors of PEI California to focus on his candidacy for one of California's United States Senate seats. Mr. Jones was California's Secretary of State from 1995 to 2003. Since May 2002, Mr. Jones has also been the owner of Tri-J Land & Cattle, a diversified farming and cattle company in Fresno County, California. Mr. Jones has a B.A. degree in Agribusiness and Plant Sciences from California State University, Fresno.

Mr. Jones's qualifications to serve on our Board include:

co-founder of PEI California;

knowledge gained through his extensive work as our Chairman since our inception in 2005; extensive knowledge of and experience in the agricultural and feed industries, as well as a deep understanding of operations in political environments; and background as an owner of a farming company in California, and his previous role in the California state government.

**Neil M. Koehler** has served as Chief Executive Officer, President and as a director since March 2005. Mr. Koehler is a co-founder of PEI California and served as its Chief Executive Officer since its formation in January 2003 and as a member of its board of directors from March 2004 until its dissolution in March 2012. Prior to his association with PEI California, Mr. Koehler was the co-founder and General Manager of Parallel Products, one of the first ethanol production facilities in California, which was sold to a public company in 1997. Mr. Koehler was also the sole manager and sole limited liability company member of Kinery Marketing, LLC, which he founded in September 2000, and which is one of our wholly-owned subsidiaries. Mr. Koehler has over 30 years of experience in the ethanol production, sales and marketing industry in the Western United States. Mr. Koehler is a Director of the Renewable Fuels Association and is a nationally-recognized speaker on the production and marketing of renewable fuels. Mr. Koehler also served as an executive officer of our plant subsidiaries at the time they filed for protection under the United States Bankruptcy Code in 2009. Mr. Koehler has a B.A. degree in Government from Pomona College.

Mr. Koehler's qualifications to serve on our Board include:

- day-to-day leadership experience as our current President and Chief Executive Officer provides Mr. Koehler with intimate knowledge of our operations;
- extensive knowledge of and experience in the ethanol production, sales and marketing industry, particularly in the Western United States;
- prior leadership experience with other companies in the ethanol industry; and
- day-to-day leadership experience affords a deep understanding of business operations, challenges and opportunities.

**Michael D. Kandris** has served as a director since June 2008 and as our 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 our Chief Executive Officer, from January 1, 2012 to January 5, 2013. Mr. Kandris was President, Western Division of Ruan Transportation Management Systems from November 2007 until his retirement in September 2009. From January 2000 to November 2007, 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' qualifications to serve on our Board include:

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

**Terry L. Stone** has served as a director since March 2005. Mr. Stone is a Certified Public Accountant with over thirty years of experience in accounting and taxation. He has been the owner of his own accountancy firm since 1990 and has provided accounting and taxation services to a wide range of industries, including agriculture, manufacturing, retail, equipment leasing, professionals and not-for-profit organizations. Mr. Stone has served as a part-time instructor at California State University, Fresno, teaching classes in taxation, auditing and financial and management accounting. Mr. Stone is also a financial advisor and franchisee of Ameriprise Financial Services, Inc. Mr. Stone has a B.S. degree in Accounting from California State University, Fresno.



Mr. Stone's qualifications to serve on our Board include:

- extensive experience with financial accounting and tax matters;
- recognized expertise as an instructor of taxation, auditing and financial and management accounting;
- "audit committee financial expert," as defined by the Securities and Exchange Commission, and satisfies the "financial sophistication" requirements of NASDAQ's listing standards; and
- ability to communicate and encourage discussion, together with his experience as a senior independent director of all Board committees on which he serves make him an effective chairman of our Audit Committee.

**John L. Prince** has served as a director since July 2005. Mr. Prince is retired but also works as a consultant to Ruan Transport Corp. and other companies. Mr. Prince was an Executive Vice President with Land O' Lakes, Inc. from July 1998 until his retirement in 2004. Prior to that time, Mr. Prince was President and Chief Executive Officer of Dairyman's Cooperative Creamery Association located in Tulare, California, until its merger with Land O' Lakes, Inc. in July 1998. Land O' Lakes, Inc. is a farmer-owned, national branded organization based in Minnesota with annual sales in excess of \$6 billion and membership and operations in over 30 states. Prior to joining the Dairyman's Cooperative Creamery Association, Mr. Prince was President and Chief Executive Officer for nine years until 1994, and was Operations Manager for the preceding ten years commencing in 1975, of the Alto Dairy Cooperative in Waupun, Wisconsin. Mr. Prince has a B.A. degree in Business Administration from the University of Northern Iowa.

Mr. Prince's qualifications to serve on our Board include:

- extensive experience in various executive leadership positions;
- day-to-day leadership experience affords a deep understanding of business operations, challenges and opportunities; and
- ability to communicate and encourage discussion helps Mr. Prince discharge his duties effectively as chairman of our Nominating and Corporate Governance Committee.

**Douglas L. Kieta** has served as a director since April 2006. Mr. Kieta is currently retired. Prior to retirement in January 2009, Mr. Kieta was employed by BE&K, Inc., a large engineering and construction company headquartered in Birmingham, Alabama, where he served as the Vice President of Power from May 2006 to January 2009. From April 1999 to April 2006, Mr. Kieta was employed at Calpine Corporation where he was the Senior Vice President of Construction and Engineering. Calpine Corporation is a major North American power company which leases and operates integrated systems of fuel-efficient natural gas-fired and renewable geothermal power plants and delivers clean, reliable and fuel-efficient electricity to customers and communities in 21 states and three Canadian provinces. Mr. Kieta has a B.S. degree in Civil Engineering from Clarkson University and a Master's degree in Civil Engineering from Cornell University.

Mr. Kieta's qualifications to serve on our Board include:

extensive experience in various leadership positions;  
day-to-day leadership experience affords a deep understanding of business operations, challenges and opportunities;  
and  
service with Calpine affords a deep understanding of large-scale construction and engineering projects as well as plant operations, which is particularly relevant to our ethanol production facility operations.

**Larry D. Layne** has served as a director since December 2007. Mr. Layne joined First Western Bank in 1963 and served in various capacities with First Western Bank and its acquiror, Lloyds Bank of California, and Lloyd's acquiror, Sanwa Bank California, until his retirement in 2000. Sanwa Bank California was subsequently acquired by Bank of the West. From 1999 to 2000, Mr. Layne was Vice Chairman of Sanwa Bank California in charge of its Commercial Banking Group which encompassed all of Sanwa Bank California's 38 commercial and business banking centers and 12 Pacific Rim branches as well as numerous internal departments. From 1997 to 2000, Mr. Layne was also Chairman of the Board of The Eureka Funds, a mutual fund family of five separate investment funds with total assets of \$900,000,000. From 1996 to 2000, Mr. Layne was Group Executive Vice President of the Relationship Banking Group of Sanwa Bank California in charge of its 107 branches and 13 commercial banking centers as well as numerous internal departments. Mr. Layne has also served in various capacities with many industry and community organizations, including as Director and Chairman of the Board of the Agricultural Foundation at California State University, Fresno; Chairman of the Audit Committee of the Ag. Foundation at California State University, Fresno; board member of the Fresno Metropolitan Flood Control District; and Chairman of the Ag Lending Committee of the California Bankers Association. Mr. Layne has a B.S. degree in Dairy Husbandry from California State University, Fresno and is a graduate of the California Agriculture Leadership Program.

Mr. Layne's qualifications to serve on our Board include:

- extensive experience in various leadership positions;
- day-to-day leadership experience affords a deep understanding of business operations, challenges and opportunities;
- experience and involvement in California industry and community organizations provides a useful perspective; and
- ability to communicate and encourage discussion helps Mr. Layne discharge his duties effectively as chairman of our Compensation Committee.

#### *Relationships*

There are no family relationships among our directors.

### **Corporate Governance**

#### *Corporate Governance Guidelines*

Our Board believes that good corporate governance is paramount to ensure that Pacific Ethanol is managed for the long-term benefit of our stockholders. Our Board has adopted corporate governance guidelines that guide its actions with respect to, among other things, the composition of the Board and its decision making processes, Board meetings

and involvement of management, the Board's standing committees and procedures for appointing members of the committees, and its performance evaluation of our Chief Executive Officer.

Our Board has adopted a Code of Ethics that applies to all of our directors, officers and employees and an additional Code of Ethics that applies to our Chief Executive Officer and senior financial officers. The Codes of Ethics, as applied to our principal executive officer, principal financial officer and principal accounting officer constitutes our "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and is our "code of conduct" within the meaning of NASDAQ's listing standards. Our Codes of Ethics are available at our website at <http://www.pacificethanol.com>. Information on our Internet website is not, and shall not be deemed to be, a part of this report or incorporated into any other filings we make with the Securities and Exchange Commission.

## Board Committees

Our Board has established standing Audit, Compensation and Nominating and Corporate Governance Committees. Each committee operates pursuant to a written charter that has been approved by our Board and the corresponding committee and that is reviewed annually and revised as appropriate. Each charter is available at our website at <http://www.pacificethanol.com>.

Our Audit Committee selects our independent auditors, reviews the results and scope of the audit and other services provided by our independent auditors, reviews our financial statements for each interim period and for the full year and implements and manages our enterprise risk management program. The Audit Committee also has the authority to retain consultants, and other advisors. Messrs. Stone and Layne served on our Audit Committee for all of 2013. Mr. Jones was appointed to, and Mr. Prince rotated off of, our Audit Committee on March 21, 2013. Our Board has determined that each member of the Audit Committee is “independent” under the current NASDAQ listing standards and satisfies the other requirements under NASDAQ listing standards and Securities and Exchange Commission rules regarding audit committee membership. Our Board has determined that Mr. Stone qualifies as an “audit committee financial expert” under applicable Securities and Exchange Commission rules and regulations governing the composition of the Audit Committee, and satisfies the “financial sophistication” requirements of NASDAQ’s listing standards. During 2013, our Audit Committee held seven meetings.

## Executive Officers

The following table sets forth certain information regarding our executive officers as of April 1, 2014:

Name	Age	Positions Held
Neil M. Koehler	56	Chief Executive Officer, President and Director
Bryon T. McGregor	50	Chief Financial Officer
Christopher W. Wright	61	Vice President, General Counsel and Secretary
Michael D. Kandris	66	Chief Operating Officer and Director
Paul P. Koehler	54	Vice President of Corporate Development
James R. Sneed	47	Vice President of Ethanol Supply and Trading

**Neil M. Koehler** has served as Chief Executive Officer, President and as a director since March 2005. Mr. Koehler is a co-founder of PEI California and served as its Chief Executive Officer since its formation in January 2003 and as a member of its board of directors from March 2004 until its dissolution in March 2012. Prior to his association with PEI California, Mr. Koehler was the co-founder and General Manager of Parallel Products, one of the first ethanol production facilities in California, which was sold to a public company in 1997. Mr. Koehler was also the sole manager and sole limited liability company member of Kinergy Marketing, LLC, which he founded in September

2000, and which is one of our wholly-owned subsidiaries. Mr. Koehler has over 30 years of experience in the ethanol production, sales and marketing industry in the Western United States. Mr. Koehler is a Director of the Renewable Fuels Association and is a nationally-recognized speaker on the production and marketing of renewable fuels. Mr. Koehler also served as an executive officer of our plant subsidiaries at the time they filed for protection under the United States Bankruptcy Code in 2009. Mr. Koehler has a B.A. degree in Government from Pomona College.

**Bryon T. McGregor** has served as our Chief Financial Officer since November 19, 2009. Mr. McGregor served as Vice President, Finance at Pacific Ethanol from September 2008 until he became Interim Chief Financial Officer in April 2009. Prior to joining Pacific Ethanol, Mr. McGregor was employed as Senior Director for E\*TRADE Financial from February 2002 to August 2008, serving in various capacities including International Treasurer based in London, England from 2006 to 2008, Brokerage Treasurer and Director from 2003 to 2006 and Assistant Treasurer and Director of Finance and Investor Relations from 2002 to 2003. Prior to joining E\*TRADE, Mr. McGregor served as Manager of Finance and Head of Project Finance for BP (formerly Atlantic Richfield Company – ARCO) from 1998 to 2001. Mr. McGregor has extensive experience in banking and served as a Director of International Project Finance for Credit Suisse from 1992 to 1998, as Assistant Vice President for Sumitomo Mitsubishi Banking Corp (formerly The Sumitomo Bank Limited) from 1989 to 1992, and as Commercial Banking Officer for Bank of America from 1987 to 1989. Mr. McGregor has a B.S. degree in Business Management from Brigham Young University.

**Christopher W. Wright** has served as Vice President, General Counsel and Secretary since June 2006. From April 2004 until he joined Pacific Ethanol in June 2006, Mr. Wright operated an independent consulting practice, advising companies on complex transactions, including acquisitions and financings. Prior to that time, from January 2003 to April 2004, Mr. Wright was a partner with Orrick, Herrington & Sutcliffe, LLP, and from July 1998 to December 2002, Mr. Wright was a partner with Cooley Godward LLP, where he served as Partner-in-Charge of the Pacific Northwest office. Mr. Wright has extensive experience advising boards of directors on compliance, securities matters and strategic transactions, with a particular focus on guiding the development of rapidly growing companies. He has acted as general counsel for numerous technology enterprises in all aspects of corporate development, including fund-raising, business and technology acquisitions, mergers and strategic alliances. Mr. Wright has an A.B. degree in History from Yale College and a J.D. from the University of Chicago Law School.

**Michael D. Kandris** has served as a director since June 2008 and as our 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 our Chief Executive Officer, from January 1, 2012 to January 5, 2013. Mr. Kandris was President, Western Division of Ruan Transportation Management Systems from November 2007 until his retirement in September 2009. From January 2000 to November 2007, 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.

**Paul P. Koehler** has served as Vice President of Corporate Development since 2005. Mr. Koehler has over 25 years of experience in business development and marketing in the energy industry. Prior to joining Pacific Ethanol in 2005, he served as Director of Business Development for PPM Energy, Inc., leading PPM's efforts to develop and acquire several wind power projects. Mr. Koehler was also a co-founder of ReEnergy, one of the companies acquired by Pacific Ethanol. Mr. Koehler has also served as a member of the board of directors of Towerstream Corporation, a public company, since May 30, 2007. During the 1990s he worked for Portland General Electric and Enron in marketing and origination of long-term transactions, risk management, and energy trading. Mr. Koehler has a B.A. degree from the Honors College at the University of Oregon.

***James R. Sneed*** has served as Vice President of Ethanol Supply and Trading since September 2012. Mr. Sneed has worked for over 20 years in various senior management and executive positions in the ethanol industry. Prior to joining Pacific Ethanol in 2012, Mr. Sneed was employed by Hawkeye Gold, LLC from April 2010 to September 2012, ultimately serving as Vice President – Ethanol Marketing and Trading. Prior to that time, from May 2003 to April 2010, Mr. Sneed was employed by Aventine Renewable Energy, an ethanol production and marketing company, where he helped build its operations from two ethanol plants in two states to marketing for fifteen production facilities in eight states, ultimately serving as Vice President, Marketing and Logistics. Mr. Sneed is a Certified Public Accountant, has a B.S. degree in Accounting from Olivet Nazarene University, and has an MBA degree from Northwestern University, Kellogg School of Management.



Our officers are appointed by and serve at the discretion of our Board. Except for Neil M. Koehler and Paul P. Koehler, who are brothers, there are no family relationships among our executive officers and directors.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than 10% of a registered class of our common stock, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. These officers, directors and stockholders are required by Securities and Exchange Commission regulations to furnish us with copies of all reports that they file.

Based solely upon a review of copies of the reports furnished to us during the year ended December 31, 2013 and thereafter, or any written representations received by us from directors, officers and beneficial owners of more than 10% of our common stock ("reporting persons") that no other reports were required, we believe that, except as set forth below, all reporting persons filed on a timely basis all reports required by Section 16(a) of the Exchange Act during the year ended December 31, 2013 or prior fiscal years.

Neil M. Koehler did not timely file two Forms 4 to report two transactions, and each of Bryon T. McGregor and Christopher W. Wright did not timely file one Form 4 to report one transaction. We believe that each of the foregoing persons has prepared and filed his required Form 4 to report his transactions.

## Item 11. Executive Compensation.

**Summary Compensation Table**

The following table sets forth summary information concerning the compensation of our (i) Chief Executive Officer and President, who serves as our principal executive officer, (ii) Chief Financial Officer, who serves as our principal financial officer, (iii) Vice President, General Counsel and Secretary, (iv) Chief Operating Officer, and (v) Vice President of Ethanol Supply and Trading (collectively, the “named executive officers”), for all services rendered in all capacities to us for the years ended December 31, 2013 and 2012.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	All Other Compensation(3)	Total (\$)
Neil M. Koehler	2013	\$384,375	\$153,750	\$665,283	\$190,477	\$ –	\$1,393,885
Chief Executive Officer and President	2012	\$384,375	\$40,000	\$–	\$–	\$ –	\$424,375
Bryon T. McGregor	2013	\$246,000	\$98,400	\$191,183	\$53,333	\$ –	\$588,916
Chief Financial Officer	2012	\$246,000	\$23,370	\$–	\$–	\$ –	\$269,370
Christopher W. Wright	2013	\$246,000	\$98,400	\$191,183	\$53,333	\$ 20,573	(4) \$609,489
Vice President, General Counsel and Secretary	2012	\$246,000	\$23,370	\$–	\$–	\$ –	\$269,370
Michael D. Kandris	2013	\$246,000	\$98,400	\$112,179	\$53,333	\$ –	\$509,912
Chief Operating Officer(5)	2012	\$–	(5) \$–	\$–	\$–	\$ –	\$– (5)
James R. Sneed	2013	\$220,000	\$525,031	\$43,635	\$17,143	\$ 17,969	(4) \$823,778
Vice President of Ethanol Supply and Trading	2012	\$–	\$–	\$–	\$–	\$ –	\$–

The amounts shown are the fair value of stock awards on the date of grant. Fair value of stock awards is calculated by multiplying the number of shares of stock granted by the closing price of our common stock on the date of (1) grant. The shares of common stock were issued under our 2006 Stock Incentive Plan. Information regarding the vesting schedules for the named executive officers is included in the footnotes to the “Outstanding Equity Awards at Fiscal Year-End-2013” table below.

(2) The amounts shown are the aggregate grant date fair values of grants of stock options to the named executive officers pursuant to the provisions of Accounting Standards Codification (“ASC”) 718. For a discussion of valuation assumptions used in ASC 718 calculations, see “Note 10—Stock-Based Compensation” of the Notes to Consolidated Financial Statements included in Part IV, Item 15 of our Annual Report on Form 10-K for the year ended December 31, 2013. The options were issued under our 2006 Stock Incentive Plan. Information regarding the

vesting schedules for the named executive officers is included in the footnotes to the “Outstanding Equity Awards at Fiscal Year-End–2013” table below.

- (3) Except as specifically noted, the value of perquisites and other personal benefits was less than \$10,000 in aggregate for each of the named executive officers.

- Amount represents perquisites or personal benefits relating to payment of or reimbursement of commuting  
(4) expenses from the executive officer’s home to our corporate office locations in Sacramento, California, and housing and other living expenses.

- Mr. Kandris was appointed as our Chief Operating Officer effective January 6, 2013. We paid Mr. Kandris \$1,385 in fees for his services in 2013 as a member of our board of directors. We paid Mr. Kandris \$239,135 in consideration of services provided to us in 2012 under a consulting arrangement. In addition, we paid Mr. Kandris  
(5) \$36,000 in fees for his service in 2012 as a member of our board of directors. Also, of the stock awards granted to Mr. Kandris in 2013, an award of 10,000 shares of our common stock on January 4, 2013 having an aggregate grant date fair value of \$53,900, calculated based on the fair market value of our common stock on the applicable grant date, was made in respect of Mr. Kandris’ service as a member of our Board in 2012.

### *Executive Compensation*

Our Compensation Committee is responsible for establishing and administering a compensation policy for executive officers and the compensation to be provided to our executive officers, including, among other things, annual salaries and bonuses, stock options, stock grants, other stock-based awards, and other incentive compensation arrangements. In addition, our Compensation Committee reviews the compensation philosophy and policies and approves the salaries, bonuses and stock compensation arrangements for all other employees. Our Compensation Committee also has the authority to administer our 2006 Stock Incentive Plan with respect to grants to executive officers and directors, and also has authority to make equity awards under our 2006 Stock Incentive Plan to all other eligible individuals. However, our Board may retain, reassume or exercise from time to time the power to administer our 2006 Stock Incentive Plan.

The Compensation Committee evaluates both performance and compensation to ensure that the total compensation paid to our executive officers is fair, reasonable and competitive so that we can attract and retain superior employees in key positions. The Compensation Committee believes that compensation packages offered to our executives, including the named executive officers, should include both cash and equity-based compensation that reward performance as measured against established goals. The Compensation Committee has the authority to retain consultants and other advisors, and in furtherance of the foregoing objectives, our Compensation Committee in 2007 engaged Hewitt Associates LLC, a global human resources consulting firm ("Aon Hewitt"), to conduct a review of our total compensation program for our named executive officers and other executives. From that review, Aon Hewitt provided our Compensation Committee with relevant market data and alternatives to consider when making compensation decisions as to the named executive officers and when making compensation decisions as to other executives.

In making base salary and equity incentive compensation decisions for 2013, and in setting cash incentive targets, our Compensation Committee compared each element of total compensation to market data that Aon Hewitt prepared in 2007, augmented by additional market data from two primary sources: (i) updated market data for certain positions obtained from Aon Hewitt; and (ii) market data obtained from a database provided by Equilar, Inc., which aggregates information from proxy statements and other documents filed with the Securities and Exchange Commission to analyze compensation data (including base salary, bonus compensation and equity awards). In addition, our Compensation Committee utilized the Equilar, Inc. database to develop a compensation peer group and to compile data for benchmarking compensation for our executives and our Board members against our peer group. To the extent considered necessary, our Compensation Committee may reengage Aon Hewitt, or may use the data previously obtained, augmented by market data obtained by Equilar, Inc. as a reference point for future compensation decisions.

For 2013, our Compensation Committee intended to set the elements of compensation, base salaries, equity incentive compensation and cash incentive targets, such that the aggregate compensation for the named executive officers approximated the median of aggregate compensation paid to similarly situated executives of the companies comprising the market data provided to us by compensation consultants, Aon Hewitt and other sources such as Equilar, Inc.

In determining the actual cash bonus amounts for 2013, our Compensation Committee intended the bonuses for the named executive officers, other than for James Sneed who for 2013 was subject to a separate bonus program discussed below, to be at 80% of the targeted amounts.

*Executive Employment Agreements*

Neil M. Koehler

Our Amended and Restated Executive Employment Agreement with Mr. Koehler dated as of December 11, 2007 provides for at-will employment as our President and Chief Executive Officer. Mr. Koehler initially received a base salary of \$300,000 per year, which was increased to \$375,000 effective March 1, 2008 and further increased to \$384,375 effective April 3, 2011, and is eligible to receive an annual discretionary cash bonus of up to 70% of his base salary, to be paid based upon performance criteria set by the Board. For 2013, we paid Mr. Koehler a discretionary cash bonus based on our 2013 performance.

Upon termination by Pacific Ethanol without cause, resignation by Mr. Koehler for good reason or upon Mr. Koehler's disability, Mr. Koehler is entitled to receive (i) severance equal to twelve months of base salary, (ii) continued health insurance coverage for twelve months, and (iii) accelerated vesting of 25% of all shares or options subject to any equity awards granted to Mr. Koehler prior to Mr. Koehler's termination which are unvested as of the date of termination. However, if Mr. Koehler is terminated without cause or resigns for good reason within three months before or twelve months after a change in control, Mr. Koehler is entitled to (a) severance equal to eighteen months of base salary, (b) continued health insurance coverage for eighteen months, and (c) accelerated vesting of 100% of all shares or options subject to any equity awards granted to Mr. Koehler prior to Mr. Koehler's termination that are unvested as of the date of termination.

The term "for good reason" is defined in the Amended and Restated Executive Employment Agreement as (i) the assignment to Mr. Koehler of any duties or responsibilities that result in the material diminution of Mr. Koehler's authority, duties or responsibility, (ii) a material reduction by Pacific Ethanol in Mr. Koehler's annual base salary, except to the extent the base salaries of all other executive officers of Pacific Ethanol are accordingly reduced, (iii) a relocation of Mr. Koehler's place of work, or Pacific Ethanol's principal executive offices if Mr. Koehler's principal office is at these offices, to a location that increases Mr. Koehler's daily one-way commute by more than thirty-five miles, or (iv) any material breach by Pacific Ethanol of any material provision of the Amended and Restated Executive Employment Agreement.

The term "cause" is defined in the Amended and Restated Executive Employment Agreement as (i) Mr. Koehler's indictment or conviction of any felony or of any crime involving dishonesty, (ii) Mr. Koehler's participation in any fraud or other act of willful misconduct against Pacific Ethanol, (iii) Mr. Koehler's refusal to comply with any lawful directive of Pacific Ethanol, (iv) Mr. Koehler's material breach of his fiduciary, statutory, contractual, or common law duties to Pacific Ethanol, or (v) conduct by Mr. Koehler which, in the good faith and reasonable determination of the Board, demonstrates gross unfitness to serve; provided, however, that in the event that any of the foregoing events is reasonably capable of being cured, Pacific Ethanol shall, within twenty days after the discovery of the event, provide written notice to Mr. Koehler describing the nature of the event and Mr. Koehler shall thereafter have ten business

days to cure the event.

A “change in control” of Pacific Ethanol is deemed to have occurred if, in a single transaction or series of related transactions (i) any person (as the term is used in Section 13(d) and 14(d) of the Exchange Act), or persons acting as a group, other than a trustee or fiduciary holding securities under an employee benefit program, is or becomes a “beneficial owner” (as defined in Rule 13-3 under the Exchange Act), directly or indirectly of securities of Pacific Ethanol representing a majority of the combined voting power of Pacific Ethanol, (ii) there is a merger, consolidation or other business combination transaction of Pacific Ethanol with or into another corporation, entity or person, other than a transaction in which the holders of at least a majority of the shares of voting capital stock of Pacific Ethanol outstanding immediately prior to the transaction continue to hold (either by the shares remaining outstanding or by their being converted into shares of voting capital stock of the surviving entity) a majority of the total voting power represented by the shares of voting capital stock of Pacific Ethanol (or the surviving entity) outstanding immediately after the transaction, or (iii) all or substantially all of our assets are sold.

*Bryon T. McGregor*

Our Amended and Restated Executive Employment Agreement with Mr. McGregor effective as of November 25, 2009 provides for at-will employment as our Chief Financial Officer. Mr. McGregor initially received a base salary of \$240,000 per year, which was increased to \$246,000 effective April 3, 2011, and is eligible to receive an annual discretionary cash bonus of up to 50% of his base salary, to be paid based upon performance criteria set by the Board. For 2013, we paid Mr. McGregor a discretionary cash bonus based on our 2013 performance. All other terms and conditions of Mr. McGregor’s Amended and Restated Executive Employment Agreement are substantially the same as those contained in Neil M. Koehler’s Amended and Restated Executive Employment Agreement described above.

*Christopher W. Wright*

Our Amended and Restated Executive Employment Agreement with Mr. Wright dated as of December 11, 2007 provides for at-will employment as our Vice President, General Counsel and Secretary. Mr. Wright initially received a base salary of \$225,000 per year, which was increased to \$240,000 effective March 1, 2008 and further increased to \$246,000 effective April 3, 2011, and is eligible to receive an annual discretionary cash bonus of up to 50% of his base salary, to be paid based upon performance criteria set by the Board. For 2013, we paid Mr. Wright a discretionary cash bonus based on our 2013 performance. All other terms and conditions of Mr. Wright’s Amended and Restated Executive Employment Agreement are substantially the same as those contained in Neil M. Koehler’s Amended and Restated Executive Employment Agreement described above.

*Michael Kandris*



Our Executive Employment Agreement with Mr. Kandris dated as of January 6, 2013 provides for at-will employment as our Chief Operating Officer. Mr. Kandris' base salary is \$246,000 per year and he is eligible to receive an annual discretionary cash bonus of up to 50% of his base salary, to be paid based upon performance criteria set by the Board. For 2013, we paid Mr. Kandris a discretionary cash bonus based on our 2013 performance. All other terms and conditions of Mr. Kandris' Executive Employment Agreement are substantially the same as those contained in Neil M. Koehler's Amended and Restated Executive Employment Agreement described above.

*James R. Sneed*

Our Employment Agreement with Mr. Sneed dated as of November 12, 2012 provides for at-will employment as our Vice President of Ethanol Supply and Trading. Mr. Sneed received a signing bonus of \$75,000 upon commencement of his employment. Mr. Sneed's base salary is \$220,000 per year. Beginning January 1, 2013, Mr. Sneed is eligible to participate in a cash bonus program based on the financial results of our subsidiary Kinergy Marketing LLC, subject to a guaranteed minimum annual bonus of \$30,000 for 2013. For 2013, we paid Mr. Sneed a cash bonus, in accordance with Kinergy's 2013 bonus program, based on the amount by which Kinergy's net income exceeded Kinergy's targeted net income for the year.

*Clawback Policy*

In 2011, our Compensation Committee instituted a “clawback” policy with respect to incentive compensation. Except as otherwise required by applicable law and regulations, the clawback policy applies to any incentive-based compensation awarded or paid after January 1, 2011. The clawback policy mitigates the risks associated with our compensation policies, because certain executive officers will be required to repay compensation in the circumstances identified in the policy. The clawback policy requires recoupment of the incentive based compensation paid or granted to certain executive officers in the event of a material noncompliance with any financial reporting requirements under the federal securities laws (other than to comply with changes in applicable accounting principles).

Our Compensation Committee will reevaluate and, if necessary, revise our clawback policy to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act once the rules implementing the clawback requirements have been finalized by the Securities and Exchange Commission.

## Outstanding Equity Awards at Fiscal Year-End – 2013

The following table sets forth information about outstanding equity awards held by our named executive officers as of December 31, 2013.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable		Option Awards			Option Expiration Date	Stock Awards	
			Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)			Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)</sup>	Market Value of Shares or Units of Stock That Have Not Vested(\$) <sup>(2)</sup>
Neil M. Koehler	2,500	(3)	1,250	(3) \$ 12.90		8/1/2021	1,429	(4) \$ 7,274
	–		113,379	(5) \$ 3.74		6/24/2023	2,381	(6) \$ 12,119
							38,889	(7) \$ 197,945
							16,667	(8) \$ 84,835
							55,556	(9) \$ 282,780
Bryon T. McGregor	1,143	(10)	572	(10) \$ 12.90		8/1/2021	400	(11) \$ 2,036
	–		31,746	(12) \$ 3.74		6/24/2023	667	(13) \$ 3,395
							15,556	(14) \$ 79,180
							15,556	(15) \$ 79,180
Christopher W. Wright	1,143	(10)	572	(10) \$ 12.90		8/1/2021	400	(11) \$ 2,036
	–		31,746	(12) \$ 3.74		6/24/2023	667	(13) \$ 3,395
							15,556	(14) \$ 79,180
							15,556	(15) \$ 79,180
Michael D. Kandris	–		31,746	(12) \$ 3.74		6/24/2023	15,556	(15) \$ 79,180
James R. Sneed	–		10,204	(16) \$ 3.74		6/24/2023	11,667	(17) \$ 59,385

(1) The stock awards reported in the above table represent shares of restricted stock and stock options granted under our 2006 Stock Incentive Plan.

(2) Represents the fair market value per share of our common stock on December 31, 2013, which was \$5.09, multiplied by the number of shares that had not vested as of that date.

(3)

Represents stock options granted on August 1, 2011. The option vested as to 1,250 shares on each of April 1, 2012, 2013 and 2014.

(4) Represents shares granted on October 20, 2010. Mr. Koehler's grant vests as to 1,429 shares on October 4, 2014.

(5) Represents stock options granted on June 24, 2013. The option vested as to 37,793 shares on April 1, 2014 and vests as to 37,793 shares on each of April 1, 2015 and 2016.

(6) Represents shares granted on August 1, 2011. Mr. Koehler's grant vested as to 1,190 shares on April 1, 2014 and vests as to 1,191 shares on April 1, 2015.

(7) Represents shares granted on March 1, 2013. The grant vested as to 19,444 shares on April 1, 2014 and vests as to 19,445 shares on April 1, 2015.

(8) Represents shares granted on April 12, 2013. The grant vested as to 8,333 shares on April 1, 2014 and vests as to 8,334 shares on April 1, 2015.

- (9) Represents shares granted on June 24, 2013. The grant vested as to 18,519 on April 1, 2014, vests as to 18,519 on April 1, 2015 and vests as to 18,518 on April 1, 2016.
- (10) Represents stock options granted on August 1, 2011. The option vested as to 571 shares on April 1, 2012 and vested as to 572 shares on each of April 1, 2013 and 2014.
- (11) Represents shares granted on October 20, 2010. The grant vests as to 400 shares on October 4, 2014.
- (12) Represents stock options granted on June 24, 2013. The option vested as to 10,582 shares on April 1, 2014 and vests as to 10,582 shares on each of April 1, 2015 and 2016.
- (13) Represents shares granted on August 1, 2011. The grant vested as to 333 shares on April 1, 2014 and vests as to 334 shares on April 1, 2015.
- (14) Represents shares granted on March 1, 2013. The grant vested as to 7,778 shares on April 1, 2014 and vests as to 7,778 shares on April 1, 2015.
- (15) Represents shares granted on June 24, 2013. The grant vested as to 5,185 shares on April 1, 2014 and vests as to 5,185 shares on April 1, 2015 and 5,186 shares on April 1, 2016
- (16) Represents stock options granted on June 24, 2013. The option vested as to 3,401 shares on each of April 1, 2014 and 2015 and vests as to 3,402 shares on April 1, 2016.
- (17) Represents shares granted on June 24, 2013. The grant vested as to 3,889 shares on each of April 1, 2014, 2015 and 2016.

## Compensation of Directors

We use a combination of cash and equity-based incentive compensation to attract and retain qualified candidates to serve on our Board. In setting the compensation of directors, we consider the significant amount of time that Board members spend in fulfilling their duties to Pacific Ethanol as well as the experience level we require to serve on our Board. The Board, through its Compensation Committee, annually reviews the compensation and compensation policies for Board members. In recommending director compensation, the Compensation Committee is guided by the following three goals:

- compensation should pay directors fairly for work required in a company of our size and scope;
- compensation should align directors' interests with the long-term interests of our stockholders; and
- the structure of the compensation should be clearly disclosed to our stockholders.

In making compensation decisions for 2013 as to our directors, our Compensation Committee compared our cash and equity compensation payable to directors against market data obtained by Aon Hewitt in 2007 and market data obtained from survey data provided by Equilar, Inc. The Aon Hewitt data included a general industry survey of 235 companies with less than \$1,000,000,000 in annual revenues and a general industry survey of 51 companies with between \$500,000,000 and \$1,000,000,000 in annual revenues. The data provided by Equilar, Inc. included a survey of 20 companies in the chemicals sector with between \$200,000,000 and \$1,000,000,000 in annual revenues. For 2013, the Compensation Committee set compensation for our directors at approximately the median of compensation paid to directors of the companies surveyed by Aon Hewitt and Equilar, Inc.

*Cash Compensation*

For 2013, our cash compensation plan for directors provided the Chairman of our Board annual compensation of \$80,000, the Chairman of our Audit Committee annual compensation of \$42,000, our lead independent director, if any, annual compensation of \$40,000, the Chairman of our Compensation Committee annual compensation of \$36,000, the Chairman of our Nominating and Corporate Governance Committee annual compensation of \$36,000, the Chairman of our Operations and Feed Committee annual compensation of \$36,000 and the Chairman of our Strategic Transactions Committee annual compensation of \$36,000. All other directors, except employee directors, were to receive annual compensation of \$24,000. These amounts were paid in advance in bi-weekly installments. In addition, directors were reimbursed for specified reasonable and documented expenses in connection with attendance at meetings of our Board and its committees. Except for a short period at the beginning of 2013 for which we paid Mr. Kandris \$1,385 in director compensation, employee directors do not receive director compensation in connection with their service as directors.

### *Equity Compensation*

Our Compensation Committee or our full Board typically grants equity compensation to our newly elected or reelected directors which normally vests as to 100% of the grants no later than one year after the date of grant. Vesting is normally subject to continued service on our Board during the full year.

In determining the amount of equity compensation for 2013, the Compensation Committee determined the value of total compensation, approximately targeting the median of compensation paid to directors of the companies comprising the market data provided to us by Aon Hewitt in 2007. The Compensation Committee then determined the cash component based on this market data. The balance of the total compensation target was then allocated to equity awards, and the number of shares to be granted to our directors was based on the estimated value of the underlying shares on the expected grant date.

In addition, our Compensation Committee may grant, and has from time to time granted, additional equity compensation to directors at its discretion.

### **Compensation of Employee Directors**

Except for a short period at the beginning of 2013 for which we paid Mr. Kandris \$1,385 in director compensation, Messrs. Koehler and Kandris were compensated as a full-time employees and officers but received no additional compensation for service as Board members during 2013. Information regarding the compensation awarded to Messrs. Koehler and Kandris is included in the “Summary Compensation Table” above.

### **Director Compensation Table – 2013**

The following table summarizes the compensation of our non-employee directors for the year ended December 31, 2013:

Name	<b>Fees Earned or Paid in Cash</b>	Stock Awards (\$)	<b>All other Compensation (\$)<sup>(2)</sup></b>	Total (\$)
------	--	-------------------------	--	---------------

	(\$) <sup>(1)</sup>			
William L. Jones	\$80,000	\$138,494(3)	\$	– \$218,494
Terry L. Stone	\$42,000	\$103,869(4)	\$	– \$145,869
John L. Prince	\$40,000	\$103,869(5)	\$	– \$143,869
Douglas L. Kieta	\$36,000	\$103,869(6)	\$	– \$139,869
Larry D. Layne	\$36,000	\$103,869(7)	\$	– \$139,869

(1) For a description of annual director fees and fees for chair positions, see the disclosure above under “Compensation of Directors—Cash Compensation.”

(2) Except as contained in the table, the value of perquisites and other personal benefits was less than \$10,000 in aggregate for each director.

(3) At December 31, 2013, Mr. Jones held 16,505 vested shares from stock awards and also held options to purchase an aggregate of 477 shares of common stock. Mr. Jones was granted 13,334 and 17,778 shares of our common stock on January 4, 2013 and June 24, 2013, having aggregate grant date fair values of \$72,004 and \$66,490, respectively, calculated based on the fair market value of our common stock on the applicable grant date.



(4) At December 31, 2013, Mr. Stone held 12,591 vested shares from stock awards and also held options to purchase an aggregate of 143 shares of common stock. Mr. Stone was granted 10,000 and 13,334 shares of our common stock on January 4, 2013 and June 24, 2013, having aggregate grant date fair values of \$54,000 and \$49,869, respectively, calculated based on the fair market value of our common stock on the applicable grant date.

(5) At December 31, 2013, Mr. Prince held 12,591 vested shares from stock awards and also held options to purchase an aggregate of 143 shares of common stock. Mr. Prince was granted 10,000 and 13,334 shares of our common stock on January 4, 2013 and June 24, 2013, having aggregate grant date fair values of \$54,000 and \$49,869, respectively, calculated based on the fair market value of our common stock on the applicable grant date.

(6) At December 31, 2013, Mr. Kieta held 12,591 vested shares from stock awards. Mr. Kieta was granted 10,000 and 13,334 shares of our common stock on January 4, 2013 and June 24, 2013, having aggregate grant date fair values of \$54,000 and \$49,869, respectively, calculated based on the fair market value of our common stock on the applicable grant date.

(7) At December 31, 2013, Mr. Layne held 12,591 vested shares from stock awards. Mr. Layne was granted 10,000 and 13,334 shares of our common stock on January 4, 2013 and June 24, 2013, having aggregate grant date fair values of \$54,000 and \$49,869, respectively, calculated based on the fair market value of our common stock on the applicable grant date.

## Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law permits a corporation to indemnify its directors and officers against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with a pending or completed action, suit or proceeding if the officer or director acted in good faith and in a manner the officer or director reasonably believed to be in the best interests of the corporation.

Our certificate of incorporation provides that, except in certain specified instances, our directors shall not be personally liable to us or our stockholders for monetary damages for breach of their fiduciary duty as directors, except liability for the following:

- any breach of their duty of loyalty to Pacific Ethanol or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; and
- any transaction from which the director derived an improper personal benefit.

In addition, our certificate of incorporation and bylaws obligate us to indemnify our directors and officers against expenses and other amounts reasonably incurred in connection with any proceeding arising from the fact that such person is or was an agent of ours. Our bylaws also authorize us to purchase and maintain insurance on behalf of any of our directors or officers against any liability asserted against that person in that capacity, whether or not we would have the power to indemnify that person under the provisions of the Delaware General Corporation Law. We have entered and expect to continue to enter into agreements to indemnify our directors and officers as determined by our

Board. These agreements provide for indemnification of related expenses including attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended ("Securities Act"), may be permitted to our directors, officers and controlling persons under the foregoing provisions of our certificate of incorporation or bylaws, or otherwise, we have been informed that in the opinion of the Securities and Exchange Commission, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

### **Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information with respect to the beneficial ownership of our voting securities as of April 1, 2014, the date of the table, by:

- each person known by us to beneficially own more than 5% of the outstanding shares of our common stock;
- each of our directors;
- each of our current executive officers; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting or investment power with respect to the securities. To our knowledge, except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Shares of common stock underlying derivative securities, if any, that currently are exercisable or convertible or are scheduled to become exercisable or convertible for or into shares of common stock within 60 days after the date of the table are deemed to be outstanding in calculating the percentage ownership of each listed person or group but are not deemed to be outstanding as to any other person or group. Except as indicated by footnote, percentage of beneficial ownership is based on 17,960,266 shares of common stock and 926,942 shares of Series B Preferred Stock outstanding as of the date of the table.



Name and Address of Beneficial Owner <sup>(1)</sup>	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
William L. Jones	Common	65,176 (2)	*
	Series B Preferred	12,820	1.38 %
Neil M. Koehler	Common	517,340 (3)	2.85 %
	Series B Preferred	256,410	27.66 %
Bryon T. McGregor	Common	54,026 (4)	*
Christopher W. Wright	Common	51,356 (5)	*
Terry L. Stone	Common	25,735 (6)	*
John L. Prince	Common	25,449 (7)	*
Douglas L. Kieta	Common	25,922	*
Larry D. Layne	Common	22,303 (8)	*
Michael D. Kandris	Common	37,109 (9)	*
Paul P. Koehler	Common	42,206 (10)	*
	Series B Preferred	12,820	1.38 %
James R. Sneed	Common	13,609 (11)	*
Frank P. Greinke	Common	56,387 (12)	*
	Series B Preferred	85,180	9.19 %
Lyles United, LLC	Common	368,780 (13)	2.01 %
	Series B Preferred	512,820	55.32 %
Capital Ventures International	Common	1,785,723 (14)	9.04 %
All executive officers and directors as a group (11 persons)	Common	880,231 (15)	4.83 %
	Series B Preferred	282,050	30.43 %
	*	Less than 1.00%	

Messrs. Jones, Koehler, Stone, Prince, Kieta, Layne and Kandris are directors of Pacific Ethanol. Messrs.

(1) N. Koehler, McGregor, Wright, Kandris, P. Koehler and Sneed are executive officers of Pacific Ethanol. The address of each of these persons is c/o Pacific Ethanol, Inc., 400 Capitol Mall, Suite 2060, Sacramento, California 95814.

(2) Amount represents 56,029 shares of common stock held by William L. Jones and Maurine Jones, husband and wife, as community property, 477 shares of common stock underlying options issued to Mr. Jones, 184 shares of common stock underlying a warrant issued to Mr. Jones and 8,486 shares of common stock underlying our Series B Preferred Stock held by Mr. Jones.

(3) Amount represents 302,397 shares of common stock held directly, 3,663 shares of common stock underlying a warrant, 169,737 shares of common stock underlying our Series B Preferred Stock and 41,543 shares of common stock underlying options.

(4) Includes 12,297 shares of common stock underlying options.

(5) Includes 12,297 shares of common stock underlying options.

(6) Includes 143 shares of common stock underlying options.

(7) Includes 143 shares of common stock underlying options.

(8) Includes 6,667 shares beneficially owned by Larry D. Layne, as trustee under the Layne Family Trust.

(9) Includes 10,582 shares of common stock underlying options.

(10) Amount represents 29,371 shares of common stock held directly, 184 shares of common stock underlying a warrant, 8,486 shares of common stock underlying our Series B Preferred Stock and 4,165 shares of common stock underlying options.

(11) Includes 3,401 shares of common stock underlying options.



- Amount represents 56,387 shares of common stock underlying our Series B Preferred Stock. The shares are (12)beneficially owned by Frank P. Greinke, as trustee under the Greinke Personal Living Trust Dated April 20, 1999. The address of Frank P. Greinke is P.O. Box 4159, 1800 W. Katella, Suite 400, Orange, California 92863.
- Amount represents 29,305 shares of common stock underlying a warrant and 339,475 shares of common stock (13)underlying our Series B Preferred Stock. In addition, Lyles Diversified, Inc. holds 5,333 shares of common stock and The Lyles Foundation holds 3,488 shares of common stock. The address of Lyles United, LLC is P.O. Box 4376, Fresno, California 93744-4376.
- Amount includes 1,149,750 shares of common stock underlying warrants. The information with respect to the holdings of Capital Ventures International is based solely on the Schedule 13G/A filed February 13, 2014 by Capital Ventures International and Heights Capital Management, Inc. as the reporting persons. Each of the reporting persons shares voting and dispositive power over all shares beneficially owned. Heights Capital Management, Inc. is the investment manager to Capital Ventures International and as such may exercise voting and dispositive power over the shares. The shares reported as beneficially owned excludes 1,030,000 shares of (14)common stock issuable upon exercise of a warrant issued to Capital Ventures International because the warrant contains a blocking provision under which the holder thereof does not have the right to exercise the warrant to the extent that such exercise would result in beneficial ownership by the holder thereof or any of its affiliates, of more than 4.99% of our shares of common stock outstanding. The address for Capital Ventures International is P.O. Box 897, Winward 1, Regatta Office Park, West Bay Road, Grand Cayman KY1-1103, Cayman Islands. The address for Heights Capital Management, Inc. is 101 California Street, Suite 3250, San Francisco, California 94111.
- Amount represents 604,442 shares of common stock held directly, 85,049 shares of common stock underlying (15)options, 4,031 shares of common stock underlying warrants and 186,709 shares of common stock underlying our Series B Preferred Stock.

## Equity Compensation Plan Information

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2013.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans <sup>(1)</sup>
Equity Compensation Plans Approved by Security Holders:			
2004 Stock Option Plan <sup>(1)</sup>	763	\$ 867.23	—
2006 Stock Incentive Plan	240,713	\$ 4.18	28,558

- 
- (1) Our 2004 Stock Option Plan was terminated effective September 7, 2006, except to the extent of then-outstanding options.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

**Director Independence**

Our corporate governance guidelines provide that a majority of the Board and all members of our Audit, Compensation and Nominating and Corporate Governance Committees shall be independent. On an annual basis, each director and executive officer is obligated to complete a Director and Officer Questionnaire that requires disclosure of any transactions with Pacific Ethanol in which a director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. Following completion of these questionnaires, the Board, with the assistance of the Nominating and Corporate Governance Committee, makes an annual determination as to the independence of each director using the current standards for “independence” established by the Securities and Exchange Commission and NASDAQ, additional criteria contained in our corporate governance guidelines and consideration of any other material relationship a director may have with Pacific Ethanol.



The Board has determined that all of its directors are independent under these standards, except for Neil M. Koehler, who serves as our Chief Executive Officer and President, and Michael D. Kandris, who serves as our Chief Operating Officer. Messrs. Koehler and Kandris are deemed not to be independent due to their employment relationships with Pacific Ethanol, Inc.

### **Policies and Procedures for Approval of Related Party Transactions**

Our Board has the responsibility to review and discuss with management and approve, and has adopted written policies and procedures relating to approval or ratification of, interested transactions with related parties. During this process, the material facts as to the related party's interest in a transaction are disclosed to all Board members or the Audit Committee. Under the policies and procedures, the Board, through the Audit Committee, is to review each interested transaction with a related party that requires approval and either approve or disapprove of the entry into the interested transaction. An interested transaction is any transaction in which we are a participant and in which any related party has or will have a direct or indirect interest. Transactions that are in the ordinary course of business and would not require either disclosure required by Item 404(a) of Regulation S-K under the Securities Act or approval of the Board or an independent committee of the Board as required by applicable NASDAQ rules would not be deemed interested transactions. No director may participate in any approval of an interested transaction with respect to which he or she is a related party. Our Board intends to approve only those related party transactions that are in the best interests of Pacific Ethanol and our stockholders.

Other than as described below or elsewhere in this report, since January 1, 2012, there has not been a transaction or series of related transactions to which Pacific Ethanol was or is a party involving an amount in excess of \$120,000 and in which any director, executive officer, holder of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest. All of the below transactions were separately approved by our Board.

### **Certain Relationships and Related Transactions**

#### ***Miscellaneous***

We are or have been a party to employment and compensation arrangements with related parties, as more particularly described above in "Executive Employment Agreements." We have entered into an indemnification agreement with each of our directors and executive officers. The indemnification agreements and our certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

***Neil M. Koehler***

***Series B Preferred Stock***

On May 20, 2008, we sold to Neil M. Koehler, who is our President and Chief Executive Officer and one of our directors, 256,410 shares of our Series B Preferred Stock, all of which were initially convertible into an aggregate of 7,326 shares of our common stock based on an initial preferred-to-common conversion ratio of approximately 1-for-0.03, and warrants to purchase an aggregate of 3,663 shares of our common stock at a split-adjusted exercise price of \$735 per share, for an aggregate purchase price of \$5,000,000. As a result of various anti-dilution adjustments, the conversion ratio of the Series B Preferred Stock has declined to approximately 1-for-1.5. For each of the years ended December 31, 2013 and 2012, we accrued cash dividends in the amount of \$350,000 in respect of shares of Series B Preferred Stock held by Mr. Koehler.

On the following dates we entered into agreements with Mr. Koehler under which the following amounts of accrued and unpaid dividends in respect of shares of Series B Preferred Stock held by Mr. Koehler were to be paid in shares of our common stock at the following prices per share. We made such payments by issuing the following number of shares of common stock to Mr. Koehler on the dates indicated.

Agreement Date	Accrued Dividends	Price Per Share	Shares Issued	Issuance Date
August 21, 2012	\$ 105,000	\$4.65	22,581	August 24, 2012
December 26, 2012	\$ 105,000	\$5.06	20,753	December 31, 2012
March 27, 2013	\$ 105,000	\$5.25	20,000	March 28, 2013
July 26, 2013	\$ 105,000	\$4.19	25,082	July 31, 2013
September 13, 2013	\$ 105,000	\$3.72	28,247	September 17, 2013

As of December 31, 2013, accrued and unpaid dividends totaling \$525,000 had not been paid in respect of shares of Series B Preferred Stock held by Mr. Koehler.

#### *Loan Transaction*

On March 30, 2009, we entered into an unsecured promissory note in favor of Mr. Koehler. The promissory note was for the principal amount of \$1,000,000. Interest on the unpaid principal amount of the promissory note accrues at a rate per annum of 8.00%. On March 29, 2010, we entered into an amendment to the promissory note to extend its maturity date to January 5, 2011. On October 29, 2010, we paid all accrued interest under the promissory note, totaling \$126,500. On November 5, 2010, we entered into an amendment to the promissory note extending its maturity date to March 31, 2012. On December 31, 2010, we paid all accrued interest under the promissory note, totaling \$13,774. On November 30, 2011, we made a principal payment of \$250,000, resulting in an unpaid principal balance of \$750,000. On March 7, 2012, we entered into an amendment to the promissory note further extending its maturity date to March 31, 2013. On February 7, 2013, we entered into an amendment to the promissory note further extending its maturity date to March 31, 2014. For the years ended December 31, 2013 and 2012, we paid all accrued interest under the promissory note, totaling \$60,000 and \$60,164, respectively. On March 31, 2014, we paid in cash the outstanding balance of the promissory note.

#### *Restricted Stock and Option Grants*

On March 1, 2013, we granted 66,667 shares of our restricted common stock to Mr. Koehler in consideration of services to be provided. The value of the common stock was determined to be \$380,002.

On April 12, 2013, we granted 16,667 shares of our restricted common stock to Mr. Koehler in consideration of services to be provided. The value of the common stock was determined to be \$77,502.

On June 24, 2013, we granted 55,556 shares of our restricted common stock to Mr. Koehler in consideration of services to be provided. The value of the common stock was determined to be \$207,779. On June 24, 2013, we also granted to Mr. Koehler an option to purchase up to 113,379 shares of our common stock at an exercise price of \$3.74 per share as incentive compensation. The option vested as to approximately one-third of the shares on April 1, 2014 and vests as to approximately one-third of the shares on each of April 1, 2015 and 2016.

***Paul P. Koehler***

Paul P. Koehler is employed by us as Vice President of Corporate Development at an annual salary of \$220,000. On May 20, 2008, we sold to Mr. Koehler 12,820 shares of our Series B Preferred Stock, all of which were initially convertible into an aggregate of 366 shares of our common stock based on an initial preferred-to-common conversion ratio of approximately 1-for-0.03, and warrants to purchase an aggregate of 184 shares of our common stock at a split-adjusted exercise price of \$735 per share, for an aggregate purchase price of \$250,000. As a result of various anti-dilution adjustments, the conversion ratio of the Series B Preferred Stock has declined to approximately 1-for-1.5. For each of the years ended December 31, 2013 and 2012, we accrued cash dividends in the amount of \$17,500 in respect of shares of Series B Preferred Stock held by Mr. Koehler.

On the following dates we entered into agreements with Mr. Koehler under which the following amounts of accrued and unpaid dividends in respect of shares of Series B Preferred Stock held by Mr. Koehler were to be paid in shares of our common stock at the following prices per share. We made such payments by issuing the following number of shares of common stock to Mr. Koehler on the dates indicated.

Agreement Date	Accrued Dividends	Price Per Share	Shares Issued	Issuance Date
August 21, 2012	\$ 5,250	\$4.65	1,129	August 24, 2012
December 26, 2012	\$ 5,250	\$5.10	1,038	December 31, 2012
March 27, 2013	\$ 5,250	\$5.25	1,000	March 28, 2013
July 26, 2013	\$ 5,250	\$4.19	1,255	July 31, 2013
September 13, 2013	\$ 5,250	\$3.72	1,413	September 17, 2013

As of December 31, 2013, accrued and unpaid dividends totaling \$26,248 had not been paid in respect of shares of Series B Preferred Stock held by Mr. Koehler.

***Restricted Stock and Option Grants***

On January 4, 2013, we granted 12,500 shares of our restricted common stock to Mr. Koehler in consideration of services to be provided. The value of the common stock was determined to be \$67,406.

On June 24, 2013, we granted 11,667 shares of restricted common stock to Mr. Koehler in consideration of services to be provided. The value of the common stock was determined to be \$43,635. On June 24, 2013, we also granted to Mr.

Koehler an option to purchase up to 10,204 shares of our common stock at an exercise price of \$3.74 per share as incentive compensation. The option vested as to approximately one-third of the shares on April 1, 2014 and vests as to approximately one-third of the shares on each of April 1, 2015 and 2016.

***Thomas D. Koehler***

On May 20, 2008, we sold to Thomas D. Koehler, a brother of Neil M. Koehler, who is our President and Chief Executive Officer and one of our directors, 12,820 shares of our Series B Preferred Stock, all of which were initially convertible into an aggregate of 366 shares of our common stock based on an initial preferred-to-common conversion ratio of approximately 1-for-0.03, and warrants to purchase an aggregate of 184 shares of our common stock at a split-adjusted exercise price of \$735 per share, for an aggregate purchase price of \$250,000. As a result of various anti-dilution adjustments, the conversion ratio of the Series B Preferred Stock has declined to approximately 1-for-1.5. For each of the years ended December 31, 2013 and 2012, we accrued cash dividends in the amount of \$17,500 in respect of shares of Series B Preferred Stock held by Mr. Koehler.

On the following dates we entered into agreements with Mr. Koehler under which the following amounts of accrued and unpaid dividends in respect of shares of Series B Preferred Stock held by Mr. Koehler were to be paid in shares of our common stock at the following prices per share. We made such payments by issuing the following number of shares of common stock to Mr. Koehler on the dates indicated.

Agreement Date	Accrued Dividends	Price Per Share	Shares Issued	Issuance Date
August 21, 2012	\$ 5,250	\$4.65	1,129	August 24, 2012
December 26, 2012	\$ 5,250	\$5.10	1,038	December 31, 2012
March 27, 2013	\$ 5,250	\$5.25	1,000	March 28, 2013
July 26, 2013	\$ 5,250	\$4.19	1,255	July 31, 2013
September 13, 2013	\$ 5,250	\$3.72	1,413	September 17, 2013

As of December 31, 2013, accrued and unpaid dividends totaling \$26,248 had not been paid in respect of shares of Series B Preferred Stock held by Mr. Koehler.

On April 1, 2008, we entered into an Independent Contractor Services Agreement with Mr. Koehler for the provision of strategic consulting services, including in connection with promoting Pacific Ethanol, and ethanol as a fuel additive and transportation fuel, with governmental agencies. Mr. Koehler was compensated at a rate of \$5,000 per month under this arrangement from April 1, 2008 through September 30, 2010. Effective October 1, 2010, Mr. Koehler's compensation was increased to \$7,500 per month.

### ***William L. Jones***

#### ***Series B Preferred Stock***

On May 20, 2008, we sold to William L. Jones, who is our Chairman of the Board and one of our directors, 12,820 shares of our Series B Preferred Stock, all of which were initially convertible into an aggregate of 366 shares of our common stock based on an initial preferred-to-common conversion ratio of approximately 1-for-0.03, and warrants to purchase an aggregate of 184 shares of our common stock at a split-adjusted exercise price of \$735 per share, for an aggregate purchase price of \$250,000. As a result of various anti-dilution adjustments, the conversion ratio of the Series B Preferred Stock has declined to approximately 1-for-1.5. For each of the years ended December 31, 2013 and 2012, we accrued cash dividends in the amount of \$17,500 in respect of shares of Series B Preferred Stock held by Mr. Jones.

On the following dates we entered into agreements with Mr. Jones under which the following amounts of accrued and unpaid dividends in respect of shares of Series B Preferred Stock held by Mr. Jones were to be paid in shares of our common stock at the following prices per share. We made such payments by issuing the following number of shares of common stock to Mr. Jones on the dates indicated.



Agreement Date	Accrued Dividends	Price Per Share	Shares Issued	Issuance Date
August 21, 2012	\$ 5,250	\$4.65	1,129	August 24, 2012
December 26, 2012	\$ 5,250	\$5.06	1,038	December 31, 2012
March 27, 2013	\$ 5,250	\$5.25	1,000	March 28, 2013
July 26, 2013	\$ 5,250	\$4.19	1,255	July 31, 2013
September 13, 2013	\$ 5,250	\$3.72	1,413	September 17, 2013

As of December 31, 2013, accrued and unpaid dividends totaling \$26,248 had not been paid in respect of shares of Series B Preferred Stock held by Mr. Jones.

#### *Restricted Stock Grants*

On January 4, 2013, we granted 13,333 shares of our restricted common stock to Mr. Jones in consideration of services to be provided. The value of the common stock was determined to be \$71,900.

On June 24, 2013, we granted 17,778 shares of our restricted common stock to Mr. Jones in consideration of services to be provided. The value of the common stock was determined to be \$64,356.

#### *Michael D. Kandris*

##### *Consulting Services*

During the year ended December 31, 2012, Mr. Kandris provided consulting services to us concerning ethanol plant operations and was paid \$239,135 for his services.

##### *Restricted Stock and Option Grants*

On January 4, 2013, we granted 10,000 shares of our restricted common stock to Mr. Kandris in consideration of services to be provided. The value of the common stock was determined to be \$54,000.

On June 24, 2013, we granted 15,556 shares of our restricted common stock to Mr. Kandris in consideration of services to be provided. The value of the common stock was determined to be \$58,179. On June 24, 2013, we also granted to Mr. Kandris an option to purchase up to 31,746 shares of our common stock at an exercise price of \$3.74 per share as incentive compensation. The option vested as to approximately one-third of the shares on April 1, 2014 and vests as to approximately one-third of the shares on each of April 1, 2015 and 2016.

***Christopher W. Wright***

On March 1, 2013, we granted 23,333 shares of our restricted common stock to Mr. Wright in consideration of services to be provided. The value of the common stock was determined to be \$133,004.

On June 24, 2013, we granted 15,556 shares of our restricted common stock to Mr. Wright in consideration of services to be provided. The value of the common stock was determined to be \$58,179. On June 24, 2013, we also granted to Mr. Wright an option to purchase up to 31,746 shares of our common stock at an exercise price of \$3.74 per share as incentive compensation. The option vested as to approximately one-third of the shares on April 1, 2014 and vests as to approximately one-third of the shares on each of April 1, 2015 and 2016.

***Bryon T. McGregor***

On March 1, 2013, we granted 23,333 shares of our restricted common stock to Mr. McGregor in consideration of services to be provided. The value of the common stock was determined to be \$133,004.

On June 24, 2013, we granted 15,556 shares of our restricted common stock to Mr. McGregor in consideration of services to be provided. The value of the common stock was determined to be \$58,179. On June 24, 2013, we also granted to Mr. McGregor an option to purchase up to 31,746 shares of our common stock at an exercise price of \$3.74 per share as incentive compensation. The option vested as to approximately one-third of the shares on April 1, 2014 and vests as to approximately one-third of the shares on each of April 1, 2015 and 2016.

***James R. Sneed***

On June 24, 2013, we granted 11,667 shares of restricted common stock to Mr. Sneed in consideration of services to be provided. The value of the common stock was determined to be \$43,635. On June 24, 2013, we also granted to Mr. Sneed an option to purchase up to 10,204 shares of our common stock at an exercise price of \$3.74 per share as incentive compensation. The option vested as to approximately one-third of the shares on April 1, 2014 and vests as to approximately one-third of the shares on each of April 1, 2015 and 2016.

***Terry L. Stone, John L. Prince, Douglas L. Kieta and Larry D. Layne***

On January 4, 2013, we granted 10,000 shares of our restricted common stock to each of our non-employee directors (except for the Chairman of our Board, Mr. Jones) in consideration of services to be provided. The value of the common stock granted to each of Messrs. Stone, Prince, Kieta and Layne on January 4, 2013 was determined to be \$53,925.

On June 24, 2013, we granted 13,333 shares of our restricted common stock to each of our non-employee directors (except for the Chairman of our Board, Mr. Jones) in consideration of services to be provided. The value of the common stock was determined to be \$48,265.

***Lyles United, LLC***

On March 27, 2008, we sold to Lyles United, LLC, or Lyles United, 2,051,282 shares of our Series B Preferred Stock, all of which were initially convertible into an aggregate of 58,608 shares of our common stock based on an initial preferred-to-common conversion ratio of approximately 1-for-0.03, and warrants to purchase an aggregate of 29,304 shares of our common stock at a split-adjusted exercise price of \$735 per share, for an aggregate purchase price of \$40,000,000. As a result of various anti-dilution adjustments, the conversion ratio of the Series B Preferred Stock has declined to approximately 1-for-1.5. For each of the years ended December 31, 2013 and 2012, we accrued cash dividends in the amount of \$700,000 in respect of shares of Series B Preferred Stock held by Lyles United.

On the following dates we entered into agreements with Lyles United under which the following amounts of accrued and unpaid dividends in respect of shares of Series B Preferred Stock held by Lyles United were to be paid in shares of our common stock at the following prices per share. We made such payments by issuing the following number of shares of common stock to Lyles United on the dates indicated.

Agreement Date	Accrued Dividends	Price Per Share	Shares Issued	Issuance Date
August 21, 2012	\$ 367,068	\$4.65	78,939	August 24, 2012
December 26, 2012	\$ 367,068	\$5.06	72,552	December 31, 2012
March 27, 2013	\$ 367,068	\$5.25	69,918	March 28, 2013
July 26, 2013	\$ 367,068	\$4.19	87,683	July 31, 2013
September 13, 2013	\$ 367,068	\$3.72	98,746	September 17, 2013

As of December 31, 2013, accrued and unpaid dividends totaling \$1,835,343 had not been paid in respect of shares of Series B Preferred Stock held by Lyles United.

***Frank P. Greinke***

*Series B Preferred Stock*

For each of the years ended December 31, 2013 and 2012, we accrued cash dividends in the amount of \$116,000 in respect of shares of Series B Preferred Stock held by the Greinke Personal Living Trust Dated April 20, 1999 (“Greinke Trust”). Frank P. Greinke is one of our former directors and the trustee of the holder of shares of our issued and outstanding Series B Preferred Stock. The Greinke Trust acquired its shares of Series B Preferred Stock from Lyles United in December 2009.

Shares of our Series B Preferred Stock, which were initially convertible into shares of our common stock based on an initial preferred-to-common conversion ratio of approximately 1-for-0.03, were converted into shares of our common stock based on lower conversion ratios resulting from various anti-dilution adjustments, thereby increasing the number of shares of common stock issued to the Greinke Trust in connection with its conversions of our Series B Preferred Stock. The current conversion ratio is approximately 1-for-1.5.

On the following dates we entered into agreements with the Greinke Trust under which the following amounts of accrued and unpaid dividends in respect of shares of Series B Preferred Stock held by the Greinke Trust were to be paid in shares of our common stock at the following prices per share. We made such payments by issuing the following number of shares of common stock to the Greinke Trust on the dates indicated.

Agreement Date	Accrued Dividends	Price Per	Shares Issued	Issuance Date
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		Share		
August 21, 2012	\$ 189,656	\$4.65	40,786	August 24, 2012
December 26, 2012	\$ 189,656	\$5.06	37,486	December 31, 2012
March 27, 2013	\$ 189,656	\$5.25	36,128	March 28, 2013
July 26, 2013	\$ 189,656	\$4.19	45,304	July 31, 2013
September 13, 2013	\$ 189,656	\$3.72	51,020	September 17, 2013

As of December 31, 2013, accrued and unpaid dividends totaling \$948,283 had not been paid in respect of shares of Series B Preferred Stock held by the Greinke Trust.

*Sales of Ethanol*

During the years ended December 31, 2013 and 2012, we contracted with Southern Counties Oil Co., an entity controlled by Mr. Greinke, for sales of ethanol in an aggregate amount of \$0 and approximately \$1,062,600, respectively.

Item 14. Principal Accounting Fees and Services.

The following table presents fees for professional audit services rendered by Hein & Associates LLP for the years ended December 31, 2013 and 2012.

	2013	2012
Audit Fees	\$331,639	\$365,100
Audit-Related Fees	12,630	8,400
Tax Fees	—	—
All Other Fees	—	—
Total	\$344,269	\$373,500

*Audit Fees.* Consist of amounts billed for professional services rendered for the audit of our annual consolidated financial statements included in our Annual Reports on Form 10-K, and reviews of our interim consolidated financial statements included in our Quarterly Reports on Form 10-Q and our Registration Statements on Forms S-1, S-3 and S-8, including amendments thereto.

*Audit-Related Fees.* Audit-Related Fees consist of fees billed for professional services that are reasonably related to the performance of the audit or review of our consolidated financial statements but are not reported under “Audit Fees.” Such fees include amounts billed for professional services performed in connection with mergers and acquisitions. The fees for 2013 and 2012 represent amounts billed for professional services performed in connection with the audit of a 401K plan.

*Tax Fees.* Tax Fees consist of fees for professional services for tax compliance activities, including the preparation of federal and state tax returns and related compliance matters.

*All Other Fees.* Consists of amounts billed for services other than those noted above.

Hein & Associates LLP did not provide any non-audit services for the fiscal years ended December 31, 2013 and 2012. The Audit Committee did not, therefore, consider whether the provision of non-audit services by Hein & Associates LLP is compatible with maintaining its independence; however, the Audit Committee has satisfied itself with respect to Hein & Associates LLP's independence.

Our Audit Committee is responsible for approving all audit, audit-related, tax and other services. The Audit Committee pre-approves all auditing services and permitted non-audit services, including all fees and terms to be performed for us by our independent auditor at the beginning of the fiscal year. Non-audit services are reviewed and pre-approved by project at the beginning of the fiscal year. Any additional non-audit services contemplated by us after the beginning of the fiscal year are submitted to the Chairman of our Audit Committee for pre-approval prior to engaging our independent auditor for such services. These interim pre-approvals are reviewed with the full Audit Committee at its next meeting for ratification. During 2013 and 2012, all services performed by Hein & Associates LLP were pre-approved by our Audit Committee in accordance with these policies and applicable Securities and Exchange Commission regulations.



## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

#### (a)(1) Financial Statements.

See Index to Consolidated Financial Statements in Item 8 of the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2014.

#### (a)(2) Financial Statement Schedules.

None.

#### (a)(3) Exhibits.

The following exhibits are incorporated by reference or filed herewith.

## INDEX TO EXHIBITS

Exhibit Number	Description*	Where Located		Exhibit Number	Filing Date	Filed Herewith
		Form	File Number			
2.1	Call Option Agreement dated June 29, 2010 between the Registrant, New PE Holdco LLC and certain Members	8-K	000-21467	10.1	07/06/2010	
2.2	Agreement for Purchase and Sale of Units in New PE Holdco LLC dated September 28, 2010 between the Registrant and CS Candlewood Special Situations Fund, L.P.	8-K	000-21467	10.5	09/28/2010	

2.3	Agreement for Purchase and Sale of Units in New PE Holdco LLC dated November 29, 2011 between the Registrant and Pacific Ethanol Equity Holdings LLC	8-K	000-21467	10.1	12/02/2011
2.4	Agreement for Purchase and Sale of Units in New PE Holdco LLC dated December 8, 2011 between the Registrant and Candlewood Special Situations Fund, L.P.	S-1	333-178685	2.8	12/22/2011
2.5	Agreement for Purchase and Sale of Units in New PE Holdco LLC dated December 9, 2011 between the Registrant and Wexford Spectrum Investors LLC	S-1	333-178685	2.9	12/22/2011
2.6	Agreement for Purchase and Sale of Units in New PE Holdco LLC dated December 9, 2011 between the Registrant and Wexford Catalyst Investors LLC	S-1	333-178685	2.10	12/22/2011
2.7	Agreement for Purchase and Sale of Units in New PE Holdco LLC dated December 9, 2011 between the Registrant and Debello Investors LLC	S-1	333-178685	2.11	12/22/2011
2.8	Form of Agreements for Purchase and Sale of Units in New PE Holdco LLC dated June 21, 2012 between the Registrant and each of Credit Suisse Securities (USA) LLC, Continental Casualty Company, Wexford Catalyst Investors LLC, Wexford Spectrum Investors LLC, Debello Investors LLC and Candlewood Special Situations Fund L.P.	8-K	000-21467	10.1	06/27/2012

2.9	Form of Agreement for Purchase and Sale of Units in New PE Holdco LLC dated December 19, 2012 between the Registrant and each of Candlewood Special Situations Fund, LP, CCVF PacEth LLC and Candlewood Credit Value Fund II, LP	8-K	000-21467	10.5	12/19/2012
2.10	Agreement for Purchase and Sale of Units in New PE Holdco LLC dated January 11, 2013 between the Registrant and Credit Suisse Loan Funding LLC	8-K	000-21467	10.5	12/19/2012
2.11	Agreement for Purchase and Sale of Loans and Units in New PE Holdco LLC dated March 27, 2013 among the Registrant, Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland", New York Branch and Series G of Special Assets Equity Holdings Series, LLC	S-1	333-189713	2.15	6/28/2013
2.12	Agreement for Purchase and Sale of Loans and Units in New PE Holdco LLC dated June 21, 2013 among the Registrant, NordkapAG and NKPacific, LLC	8-K	000-21467	10.3	06/26/2013
2.13	Form of Agreement for Purchase and Sale of Units in New PE Holdco LLC dated December 6, 2013 between the Registrant and each of CIFIC Funding 2007-III Asset-V LLC and CIFIC Funding 2007-IV Asset-IV LLC	10-K	000-21467	2.13	03/31/2014
2.14	Agreement for Purchase and Sale of Units in New PE Holdco LLC dated December 10, 2013 between the Registrant and Armory Fund L.P.	10-K	000-21467	2.14	03/31/2014
2.15	Form of Agreement for Purchase and Sale of Units in New PE Holdco LLC dated December 14, 2013 between the Registrant and each of Mariner Partners, L.P. and Dee River Holdings, Inc.	10-K	000-21467	2.15	03/31/2014
3.1	Certificate of Incorporation	10-Q	000-21467	3.1	08/07/2013

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3.2	Certificate of Designations, Powers, Preferences and Rights of the Series A Cumulative Redeemable Convertible Preferred Stock	10-Q	000-21467	3.2	08/07/2013
3.3	Certificate of Designations, Powers, Preferences and Rights of the Series B Cumulative Convertible Preferred Stock	10-Q	000-21467	3.3	08/07/2013
3.4	Certificate of Amendment to Certificate of Incorporation dated June 10, 2010	10-Q	000-21467	3.4	08/07/2013
3.5	Certificate of Amendment to Certificate of Incorporation dated June 8, 2011	10-Q	000-21467	3.5	08/07/2013
3.6	Certificate of Amendment to Certificate of Incorporation dated May 14, 2013	10-Q	000-21467	3.6	08/07/2013
3.7	Bylaws of the Registrant	8-K	000-21467	3.2	03/29/2005
10.1	2004 Stock Option Plan#	S-8	333-123538	4.1	03/24/2005
10.2	Amended 1995 Incentive Stock Plan#	10-KSB	000-21467	10.7	03/31/2003
10.3	First Amendment to 2004 Stock Option Plan#	8-K	000-21467	10.3	02/01/2006
10.4	2006 Stock Incentive Plan, as amended#	S-8	333-189478	4.1	06/20/2013
10.5	Form of Employee Restricted Stock Agreement#	8-K	000-21467	10.2	10/10/2006
10.6	Form of Non-Employee Director Restricted Stock Agreement#	8-K	000-21467	10.3	10/10/2006
10.7	Amended and Restated Executive Employment Agreement dated December 11, 2007 between the Registrant and Neil M. Koehler#	8-K	000-21467	10.3	12/17/2007
10.8	Amended and Restated Executive Employment Agreement dated December 11, 2007 between the Registrant and Christopher W. Wright#	8-K	000-21467	10.5	12/17/2007
10.9	Amended and Restated Executive Employment Agreement dated November 25, 2009 between the Registrant and Bryon T. McGregor#	8-K	000-21467	10.1	11/27/2009
10.10	Executive Employment Agreement dated January 6, 2013 between the Registrant and Michael D. Kandris#	8-K	000-21467	10.1	01/10/2013
10.11	Amended and Restated Executive Employment Agreement dated October 1, 2012 between the Registrant and Paul P. Kohler#	10-K	000-21467	10.11	03/31/2014
10.12	Employment Agreement dated November 12, 2012 between the Registrant and James R. Sneed#	10-K	000-21467	10.12	03/31/2014



10.13	Form of Indemnity Agreement between the Registrant and each of its Executive Officers and Directors#	10-K	000-21467	10.46	03/31/2010
10.14	Promissory Note dated March 30, 2009 by the Registrant in favor of Neil M. Koehler	8-K	000-21467	10.6	04/02/2009
10.15	First Amendment to Promissory Note dated March 29, 2010 between the Registrant and Neil M. Koehler	S-1	333-189713	10.49	06/28/2013
10.16	Second Amendment to Promissory Note dated November 5, 2010 between the Registrant and Neil M. Koehler	S-1	333-189713	10.49	06/28/2013
10.17	Third Amendment to Promissory Note dated March 7, 2012 between the Registrant and Neil M. Koehler	S-1	333-189713	10.49	06/28/2013
10.18	Fourth Amendment to Promissory Note dated February 7, 2013 between the Registrant and Neil M. Koehler	S-1	333-189713	10.49	06/28/2013
10.19	Warrant dated March 27, 2008 issued by the Registrant to Lyles United, LLC	8-K	000-21467	10.3	03/27/2008
10.20	Registration Rights Agreement dated March 27, 2008 between the Registrant and Lyles United, LLC	8-K	000-21467	10.4	03/27/2008
10.21	Letter Agreement dated March 27, 2008 between the Registrant and Lyles United, LLC	8-K	000-21467	10.5	03/27/2008
10.22	Form of Warrant dated May 22, 2008 issued by the Registrant	8-K	000-21467	10.2	05/23/2008
10.23	Letter Agreement dated May 22, 2008 among the Registrant, Neil M. Koehler, Bill Jones, Paul P. Koehler and Thomas D. Koehler#	8-K	000-21467	10.3	05/23/2008
10.24	Form of Warrant dated May 23, 2008 issued by the Registrant	8-K	000-21467	10.5	05/23/2008
10.25	Amended and Restated Loan and Security Agreement dated May 4, 2012 among Kinergy Marketing LLC, Pacific Ag. Products, LLC, the parties thereto from time to time as Lenders, Wells Fargo Bank, National Association and Wells Fargo Capital Finance, LLC	8-K	000-21467	10.1	05/08/2012
10.26	Amended and Restated Guarantee dated May 4, 2012 by the Registrant in favor of Wells Fargo Capital Finance, LLC for and on behalf of Lenders	8-K	000-21467	10.2	05/08/2012

10.27	Second Amended and Restated Asset Management Agreement dated June 30, 2011 among the Registrant, Pacific Ethanol Holding Co. LLC, Pacific Ethanol Madera LLC, Pacific Ethanol Columbia, LLC, Pacific Ethanol Stockton LLC and Pacific Ethanol Magic Valley, LLC	8-K	000-21467	10.1	07/06/2011
10.28	Form of Amended and Restated Ethanol Marketing Agreement	8-K	000-21467	10.2	07/06/2011
10.29	Form of Amended and Restated Corn Procurement and Handling Agreement	8-K	000-21467	10.4	07/06/2011
10.30	Form of Amended and Restated Distillers Grains Marketing Agreement	8-K	000-21467	10.5	07/06/2011
10.31	Limited Liability Company Agreement of New PE Holdco LLC	10-K	000-21467	10.34	03/31/2011
10.32	Form of Amendment and Exchange Agreement dated January 7, 2011	8-K	000-21467	10.1	01/07/2011
10.33	Form of Warrants dated January 7, 2011 issued by the Registrant	8-K	000-21467	10.3	01/07/2011
10.34	Securities Purchase Agreement dated December 8, 2011 between the Registrant and the investors identified therein	S-1	333-178685	2.11	12/22/2011
10.35	Registration Rights Agreement dated December 13, 2011 between the Registrant and the investors identified therein	8-K	000-21467	10.3	12/09/2011
10.36	Amendment No. 1 to Registration Rights Agreement dated February 22, 2012 between the Registrant and the investors identified therein	10-K	000-21467	10.43	03/08/2012
10.37	Form of Warrants dated December 13, 2011 issued by the Registrant	8-K/A	000-21467	10.2	12/12/2011
10.38	Form of Series I Warrants and Series II Warrants issued by the Registrant on July 3, 2012 (the forms of Series I Warrants and Series II Warrants are identical in all respects other than the exercise price and term applicable to each of such series of Warrants)	8-K	000-21467	10.1	06/28/2012
10.39	Form of Warrants dated September 26, 2012 issued by the Registrant	8-K	000-21467	10.1	09/21/2012

- Second Amended and Restated Credit Agreement dated October 29, 2012 among Pacific Ethanol Holding Co. LLC, Pacific Ethanol Madera LLC, 10.40 Pacific Ethanol Columbia , LLC, Pacific Ethanol Stockton LLC, Pacific Ethanol Magic Valley, LLC, the Lenders referred to therein, Wells Fargo Bank, N.A. and Amarillo National Bank 10-Q000-21467 10.6 11/14/2012
- First Amendment to Second Amended and Restated Credit Agreement dated January 4, 2013 among Pacific Ethanol Holding Co. LLC, Pacific Ethanol Madera LLC, Pacific Ethanol Columbia , LLC, Pacific Ethanol Stockton 10.41 LLC, Pacific Ethanol Magic Valley, LLC, the Lenders referred to therein, Wells Fargo Bank, N.A. and the other parties identified therein S-1 333-189713 10.44 06/28/2013
- Credit Agreement dated October 29, 2012 among Pacific Ethanol Holding Co. LLC, Pacific Ethanol Madera LLC, Pacific Ethanol Columbia , LLC, 10.42 Pacific Ethanol Stockton LLC, Pacific Ethanol Magic Valley, LLC, the Lenders referred to therein, Wells Fargo Bank, N.A., Credit Suisse Loan Funding LLC and Amarillo National Bank 10-Q000-21467 10.7 11/14/2012
- First Amendment to Credit Agreement dated January 4, 2013, among Pacific Ethanol Holding Co. LLC, Pacific Ethanol Madera LLC, Pacific Ethanol Columbia , LLC, Pacific Ethanol Stockton LLC, Pacific Ethanol Magic 10.43 Valley, LLC, the Lenders referred to therein, Wells Fargo Bank, N.A., Credit Suisse Loan Funding LLC and the other parties identified therein S-1 333-189713 10.46 06/28/2013
- Intercreditor Agreement dated October 29, 2012 among Pacific Ethanol Holding Co. LLC, Pacific Ethanol Madera LLC, Pacific Ethanol Columbia , 10.44 LLC, Pacific Ethanol Stockton LLC, Pacific Ethanol Magic Valley, LLC and Wells Fargo Bank, N.A. 10-Q000-21467 10.8 11/14/2012
- Securities Purchase Agreement dated December 19, 2012 among the 10.45 Registrant and the investors identified therein 8-K 000-21467 10.1 12/19/2012



10.46	Form of Senior Unsecured Notes issued on January 11, 2013	8-K	000-21467	10.201/15/2013
10.47	Form of Warrants issued on January 11, 2013	8-K	000-21467	10.312/19/2012
10.48	Registration Rights Agreement dated January 11, 2013 among the Registrant and the investors identified therein	8-K	000-21467	10.401/15/2013
10.49	Form of Amendment Agreement dated March 28, 2013 among the Registrant and the investors identified therein	8-K	000-21467	10.603/28/2013
10.50	Securities Purchase Agreement dated March 28, 2013 between the Registrant and the investors identified therein	8-K	000-21467	10.103/28/2013
10.51	Form of Series A Notes issued on March 28, 2013 and Series B Notes issued on June 20, 2013	8-K	000-21467	10.203/28/2013
10.52	Form of Series A Warrants and Series B Warrants issued on March 28, 2013	8-K	000-21467	10.303/28/2013
10.53	Form of Base Indenture between the Registrant and U.S. Bank, National Association	8-K	000-21467	10.403/28/2013
10.54	Form of First Supplemental Indenture and Second Supplemental Indenture	8-K	000-21467	10.503/28/2013
10.55	Letter Agreement dated December 16, 2013 among the Registrant and the holders of the Registrant's Series B Cumulative Convertible Preferred Stock	8-K	000-21467	10.112/16/2013
21.1	Subsidiaries of the Registrant			X
23.1	Consent of Independent Registered Public Accounting Firm	10-K	000-21467	23.103/31/2014
31.1	Certification Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	10-K	000-21467	31.103/31/2014
31.2	Certification Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	10-K	000-21467	31.203/31/2014

31.3	Certification Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.4	Certification Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 10-K 906 of the Sarbanes-Oxley Act of 2002	000-21467	32.1	03/31/2014	
101.INS	XBRL Instance Document**	10-K000-21467	101.INS	03/31/2014	
101.SCH	XBRL Taxonomy Extension Schema**	10-K000-21467	101.SCH	03/31/2014	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase**	10-K000-21467	101.CAL	03/31/2014	
101.DEF	XBRL Taxonomy Extension Definition Linkbase **	10-K000-21467	101.DEF	03/31/2014	
101.LAB	XBRL Taxonomy Extension Label Linkbase**	10-K000-21467	101.LAB	03/31/2014	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase**	10-K000-21467	101.PRE	03/31/2014	

(#) A contract, compensatory plan or arrangement to which a director or executive officer is a party or in which one or more directors or executive officers are eligible to participate.

(\*) Certain of the agreements filed as exhibits contain 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.

(\*\*) Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 1<sup>st</sup> day of April, 2014.

PACIFIC ETHANOL, INC.

/s/ NEIL M. KOEHLER

Neil M. Koehler

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ WILLIAM L. JONES William L. Jones	Chairman of the Board and Director	April 1, 2014
/s/ NEIL M. KOEHLER Neil M. Koehler	President, Chief Executive Officer (Principal Executive Officer) and Director	April 1, 2014
/s/ BRYON T. MCGREGOR Bryon T. McGregor	Chief Financial Officer (Principal Financial and Accounting Officer)	April 1, 2014
/s/ MICHAEL D. KANDRIS Michael D. Kandris	Chief Operating Officer and Director	April 1, 2014
/s/ TERRY L. STONE Terry L. Stone	Director	April 1, 2014
/s/ JOHN L. PRINCE John L. Prince	Director	April 1, 2014
/s/ DOUGLAS L. KIETA Douglas L. Kieta	Director	April 1, 2014
/s/ LARRY D. LAYNE Larry D. Layne	Director	April 1, 2014

