

Pacific Ethanol, Inc.
Form 8-K
March 29, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported)

March 26, 2010

PACIFIC ETHANOL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

000-21467

(Commission File Number)

41-2170618

(IRS Employer
Identification No.)

400 Capitol Mall, Suite 2060, Sacramento, CA
(Address of principal executive offices)

95814
(Zip Code)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

As previously disclosed, on May 17, 2009, five indirect wholly-owned subsidiaries of Pacific Ethanol, Inc. (the “Company”), namely, Pacific Ethanol Holding Co. LLC (“PEHC”), Pacific Ethanol Madera LLC, Pacific Ethanol Columbia, LLC, Pacific Ethanol Stockton, LLC and Pacific Ethanol Magic Valley, LLC (the “Debtors”), each commenced a case by filing a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The cases are being jointly administered as In re Pacific Ethanol Holding Co. LLC, et al., Chapter 11 Case No. 09-11713 (KG). Neither the Company, nor any of its direct or indirect subsidiaries other than the Debtors, filed petitions for relief under the Bankruptcy Code.

On March 26, 2010, the Debtors filed with the Bankruptcy Court a proposed joint plan of reorganization (the “Plan”) and related disclosure statement (the “Disclosure Statement”) under Chapter 11. Copies of the Plan and the Disclosure Statement are furnished (not filed) as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K and are incorporated herein by this reference. On March 29, 2010, the Company issued a press release concerning the filing of the Plan and the Disclosure Statement with the Bankruptcy Court, a copy of which is furnished (not filed) as Exhibit 99.3 to this Current Report on Form 8-K and is incorporated herein by this reference. Bankruptcy law does not permit solicitation of a plan of reorganization until the bankruptcy court approves the disclosure statement related to such plan. Accordingly, neither this Current Report on Form 8-K nor the press release is intended to be, nor should either be construed as, a solicitation for a vote on the Plan.

Creditors and other interested parties may file objections to the Plan and the Disclosure Statement. Once such objections, if any, are resolved, the Bankruptcy Court would direct the Disclosure Statement (to which the Plan would be an exhibit) to be distributed to creditors and holders of equity interests in the Debtors that are entitled to vote on the Plan. Only classes of claims against, or equity interests in, a Debtor that are impaired under the terms of the Plan are entitled to vote to accept or reject the Plan. The Plan will become effective only if, among other requirements, it receives the requisite votes in favor of acceptance and it is confirmed by the Bankruptcy Court (the “Effective Date”). The Plan, as submitted to the Bankruptcy Court on March 26, 2010, has support from a majority of the Debtors’ secured lenders.

The following is a summary of certain material terms of the Plan. This summary does not include a description of all of the terms, conditions and other provisions of the Plan, the Disclosure Statement, or other documentation governing or contemplated by the Plan, and is qualified in all respects by reference to the full text of the Plan. The terms of any joint plan of reorganization ultimately confirmed by the Bankruptcy Court could differ, potentially materially, from the terms of the Plan proposed by the Debtors. All capitalized terms used but not otherwise defined in this Current Report on Form 8-K have the meanings set forth in the Plan.

Proposed Plan of Reorganization

Generally

The prominent economic terms of the Plan include, but are not limited to, the restructuring of approximately \$293.5 million in prepetition and postpetition secured indebtedness under the Debtors' Credit Agreement, dated as of February 27, 2007, as amended ("Prepetition Credit Agreement"), and Amended and Restated Debtor-in-Possession Credit Agreement, dated as of June 3, 2009, as amended ("Postpetition Credit Agreement"), pursuant to an Exit Facility to be entered into on the Effective Date by the Debtors, WestLB, AG, New York Branch ("WestLB") and certain other lenders. The Exit Facility would be comprised of:

- Exit Facility Revolving Loans in an aggregate principal amount not to exceed \$15.0 million to fund working capital requirements so long as two of the four ethanol plants owned by the Debtors are not in operation (referred to as "Cold Shutdown" in the Plan). If at any time more than two ethanol plants are in Cold Shutdown, the aggregate principal amount of the Exit Facility Revolving Loans would be increased by an amount approved by WestLB as agent and the required lenders under the Exit Facility Revolving Loans; provided that in no event could the aggregate principal amount of the Exit Facility Revolving Loans exceed \$35.0 million.
- Exit Facility Term A-1 Loans in the aggregate principal amount of \$24.0 million, the proceeds of which would be used to pay in full in cash all revolving loans made under the Postpetition Credit Agreement between the petition date and the Effective Date.
- Exit Facility Term A-2 Loans in the aggregate principal amount of \$24.0 million issued in cancellation of an equal amount of prepetition loans that were deemed converted to DIP Roll Up Loans under the Postpetition Credit Agreement.
- Exit Facility Term B Loans in the aggregate principal amount of approximately \$67.0 million, approximately \$18.2 million of which would be granted to Exit Facility Lenders as incentive for providing the Exit Facility Revolving Loans and the Exit Facility Term A-1 Loans and approximately \$48.8 million of which would be granted to prepetition lenders based on their pro rata portion of claims under the Prepetition Credit Agreement.

Ownership of Debtors

Pursuant to the Plan, on the Effective Date, 100% of the ownership interest in PEHC would be transferred to a newly-formed limited liability company ("New PE Holdco") solely owned by Prepetition Lenders and Exit Facility Lenders, resulting in the Debtors becoming direct and indirect wholly-owned subsidiaries of New PE Holdco. The ownership interests in New PE Holdco would be allocated among the Prepetition Lenders and the Exit Facility Lenders in the same proportion as their respective interests in the Exit Facility Term B Loans. On and after the Effective Date, the agent under the Exit Facility, initially WestLB, would have authority to appoint the managers, directors and officers of each of the Debtors.

The Debtors are in continuing discussions with the Company regarding the Company's possible participation in the reorganization contemplated by the Plan, including the potential acquisition by the Company of membership interests in New PE Holdco. If these negotiations result in an agreement on terms mutually agreeable to all parties, the Plan will be amended or modified as necessary to accommodate such agreement.

Asset Management and Marketing Agreements

Under the Plan, the Company would continue after the Effective Date to manage and operate the ethanol plants under the terms of an amended and restated asset management agreement and would continue to market all of the ethanol and distillers grains produced by the plants under the terms of amended and restated agreements with Kinergy Marketing and Pacific Ag Products, each a subsidiary of the Company.

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Item 9.01. Financial Statements and Exhibits.

Exhibit No. Description

99.1 Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code as filed with the United States Bankruptcy Court for the District of Delaware on March 26, 2010 (*)

99.2 Disclosure Statement for Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code as filed with the United States Bankruptcy Court for the District of Delaware on March 26, 2010 (*)

99.3

Press Release dated March 29, 2010 (*)

*

Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 29, 2010

PACIFIC ETHANOL, INC.

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

EXHIBITS FILED WITH THIS REPORT

Number	Description
99.1	Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code as filed with the United States Bankruptcy Court for the District of Delaware on March 26, 2010 (*)
99.2	Disclosure Statement for Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code as filed with the United States Bankruptcy Court for the District of Delaware on March 26, 2010 (*)
99.3	Press Release dated March 29, 2010 (*)