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Pacific Ethanol gets new equity partner

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- **Socius to take over some debt**
- **'We believe this puts the company in a stronger financial position'**

Pacific Ethanol Inc., (NASDAQ: PEIX), which has its headquarters in Sacramento and ethanol plants in Stockton and Madera in the Central Valley, is tapping a new source of funds -- Socius CG II Ltd., a division of the private-equity firm Socius Capital Group LLC., of San Francisco and Greenwood Village, Colo.

The agreements are designed to satisfy \$34.7 million of Pacific Ethanol's outstanding debt and to cure existing defaults on the debt.

Socius has purchased \$5 million of the aggregate amount of the debt in exchange for free-trading shares of the company's common stock, says Pacific Ethanol.

Socius intends to acquire the balance of the debt and engage in further exchanges until the total debt is completely retired, the fuel maker says.

"We believe this puts the company in a stronger financial position to complete the reorganization of our ethanol plant subsidiaries currently the subject of Chapter 11 proceedings," says CEO Neil Koehler.

The holders of the debt, Lyles United LLC and its affiliate Lyles Mechanical Co., have entered into agreements with Socius under which Lyles has sold \$5 million of the aggregate debt. The agreements provide a mechanism whereby Lyles may sell to Socius, in \$5 million tranches, up to the remaining balance of the debt, subject to certain conditions.

The first tranche and each succeeding tranche will be settled in exchange for free-trading shares of the Pacific Ethanol's common stock valued at a 20 percent discount to the volume weighted average price of the stock over a five-day trading period immediately following the date on which the shares are first issued.

In no event will the aggregate number of shares of common stock issued to Socius in connection with any settlement exceed 9.99 percent of the total number of shares of the company's common then outstanding, the company says.

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