

July 23, 2007



# **Dutton Associates Announces Investment Opinion: Pacific Ethanol Strong Speculative Buy Rating In Update Coverage By Dutton Associates**

EL DORADO HILLS, Calif.--

Dutton Associates updates coverage of Pacific Ethanol (Nasdaq:PEIX) maintaining a rating of Strong Speculative Buy and a \$21.00 price target. The report by Dutton senior analyst Paul Resnik, CFA is available at [www.jmdutton.com](http://www.jmdutton.com) as well as from First Call, Bloomberg, Zacks, Reuters, Knobias, Investars and other leading financial portals.

The ethanol sector continues to be an area of debate and, in our judgment, an unusual level of misinformation. In December 2005, the conventional thinking was that ethanol was a form of farm welfare and of interest only to those who lived in the Midwest. After the 2006 State of the Union address, ethanol became a hot market sector. As investors became increasingly concerned about the possibility of tight corn supplies and excess ethanol supplies in 2007, the sector turned ice cold. While the euphoria of last summer was clearly overdone, we believe the current negativism regarding this sector is also unwarranted. We believe the US farmer is very much up to the task of producing adequate supplies of corn and we believe the US driver will need all the ethanol that the industry can produce. With regard to PEIX, it has consistently met expectations as it executes an aggressive plant construction program. PEIX's first production facility in Madera, CA was completed on time and began producing ethanol in October 2006, and its next production facility (Boardman, OR) should begin production by the end of the 2Q 2007, its third wholly-owned facility should be completed in the 1Q 2008; and its next two plants should commence operations in the 2Q 2008. Our estimates are for EPS of \$0.28 in 2007 and \$1.05 2008. Assigning a 20 multiple on 2008 EPS, we generate a 12-month target of \$21.00, a greater than 50% price advance from the current level.

## **About Dutton Associates**

Dutton Associates is one of the largest independent investment research firms in the U.S. Its 31 senior analysts are primarily CFAs, and have expertise in many industries. Dutton Associates provides continuing analyst coverage of over 140 enrolled companies, and its research, estimates, and ratings are carried in all the major databases serving institutions and online investors.

Our annual research coverage, which currently costs US \$35,000 prepaid, is 4 Research Reports, typically published quarterly, and requisite Research Notes. Dutton Associates received \$33,000 from the Company for 4 Research Reports with coverage commencing on

12/02/2005. We do not accept payment of our fees in company stock. Our principals and analysts are prohibited from owning or trading in securities of covered companies. The views expressed in this research report accurately reflect the analyst's personal views about the subject securities or issuer. Neither the analyst's compensation nor the compensation received by us is in any way related to the specific ratings or views contained in this research report or note. Please read full disclosures and analyst background at [www.jmdutton.com](http://www.jmdutton.com) before investing.

Source: Pacific Ethanol