

Gevo, Inc.  
Form 10-Q  
November 05, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

or

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

Commission File Number 001-35073

GEVO, INC.

(Exact name of registrant as specified in its charter)

Delaware 87-0747704  
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

345 Inverness Drive South, Building C, Suite 310

Englewood, CO 80112

(303) 858-8358

(Address, including zip code, and telephone number, including

area code, of registrant's principal executive offices)

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) 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 whether the registrant is a large accelerated filer, an accelerated filer, 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:

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 Exchange Act). Yes  No

As of October 28, 2015, 16,948,932 shares of the registrant's common stock were outstanding.

GEVO, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

INDEX

|  | Page |
|--|------|
| PART I. FINANCIAL INFORMATION  |      |
| Item 1. <u>Financial Statements</u>  | 3    |
| <u>Consolidated Balance Sheets as of September 30, 2015 (unaudited) and December 31, 2014</u>                            | 3    |
| <u>Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014 (unaudited)</u> | 4    |
| <u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014 (unaudited)</u>           | 5    |
| <u>Notes to Unaudited Consolidated Financial Statements</u>  | 8    |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                     | 26   |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>  | 39   |
| Item 4. <u>Controls and Procedures</u>   | 39   |
| PART II. OTHER INFORMATION   |      |
| Item 1. <u>Legal Proceedings</u>   | 41   |
| Item 1A. <u>Risk Factors</u>   | 42   |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>   | 70   |
| Item 3. <u>Defaults Upon Senior Securities</u>   | 70   |
| Item 4. <u>Mine Safety Disclosures</u>   | 70   |
| Item 5. <u>Other Information</u>   | 70   |
| Item 6. <u>Exhibits</u>  | 71   |
| <u>Signatures</u>  | 74   |

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## GEVO, INC.

## Consolidated Balance Sheets

(in thousands, except share and per share amounts)

|  | (unaudited)              |                         |
|--|--------------------------|-------------------------|
|  | September<br>30,<br>2015 | December<br>31,<br>2014 |
| <b>Assets</b>  |                          |                         |
| Current assets:  |                          |                         |
| Cash and cash equivalents  | \$ 16,203                | \$ 6,359                |
| Accounts receivable  | 1,134                    | 2,361                   |
| Inventories  | 2,703                    | 4,292                   |
| Prepaid expenses and other current assets  | 618                      | 732                     |
| Total current assets   | 20,658                   | 13,744                  |
| Property, plant and equipment, net   | 76,505                   | 81,240                  |
| Debt issue costs, net  | 376                      | 530                     |
| Restricted deposits  | 2,611                    | 2,611                   |
| Deposits and other assets  | 803                      | 803                     |
| Total assets   | \$ 100,953               | \$ 98,928               |
| <b>Liabilities</b>   |                          |                         |
| Current liabilities:   |                          |                         |
| Accounts payable and accrued liabilities   | \$ 6,811                 | \$ 8,588                |
| Current portion of secured debt, net of \$20 and \$31 discount at September 30, 2015 and<br>December 31, 2014, respectively  | 320                      | 288                     |
| Derivative warrant liability   | 3,395                    | 3,114                   |
| Other current liabilities  | -                        | 35                      |
| Total current liabilities  | 10,526                   | 12,025                  |
| Long-term portion of secured debt, net of \$4 and \$18 discount at September 30, 2015 and<br>December 31, 2014, respectively | 241                      | 485                     |
| 2017 Notes recorded at fair value  | 21,879                   | 25,460                  |
| 2022 Notes, net  | 15,242                   | 13,679                  |
| Other long-term liabilities  | 147                      | 315                     |
| Total liabilities  | 48,035                   | 51,964                  |
| Commitments and Contingencies (see note 11)  |                          |                         |

Stockholders' Equity

Common stock, \$0.01 par value per share; 250,000,000 authorized; 16,947,088 and

6,641,870 shares issued and outstanding at September 30, 2015 and

|  |            |           |
|--|------------|-----------|
| December 31, 2014, respectively            | 169        | 66        |
| Additional paid-in capital                 | 384,279    | 350,196   |
| Deficit accumulated                        | (331,530 ) | (303,298) |
| Total stockholders' equity                 | 52,918     | 46,964    |
| Total liabilities and stockholders' equity | \$ 100,953 | \$98,928  |

See notes to unaudited consolidated financial statements.

## GEVO, INC.

## Consolidated Statements of Operations

(in thousands, except share and per share amounts)

(unaudited)

|  | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|--|----------------------------------|------------|---------------------------------|------------|
|  | 2015                             | 2014       | 2015                            | 2014       |
| <b>Revenue and cost of goods sold</b>                                    |                                  |            |                                 |            |
| Ethanol sales and related products, net                                  | \$ 7,551                         | \$ 9,197   | \$ 20,604                       | \$ 14,719  |
| Hydrocarbon revenue  | 192                              | 778        | 1,449                           | 3,426      |
| Grant and other revenue  | 274                              | 166        | 787                             | 620        |
| Total revenues   | 8,017                            | 10,141     | 22,840                          | 18,765     |
| Cost of goods sold   | 10,629                           | 11,760     | 29,761                          | 24,709     |
| Gross loss   | (2,612 )                         | (1,619 )   | (6,921 )                        | (5,944 )   |
| <b>Operating expenses</b>  |                                  |            |                                 |            |
| Research and development expense   | 1,527                            | 3,723      | 5,014                           | 11,414     |
| Selling, general and administrative expense                              | 5,135                            | 3,570      | 13,406                          | 13,508     |
| Total operating expenses   | 6,662                            | 7,293      | 18,420                          | 24,922     |
| Loss from operations   | (9,274 )                         | (8,912 )   | (25,341 )                       | (30,866 )  |
| <b>Other (expense) income</b>  |                                  |            |                                 |            |
| Interest expense   | (2,121 )                         | (2,017 )   | (6,186 )                        | (6,227 )   |
| Interest expense - debt issue costs                                      | -                                | (581 )     | -                               | (3,766 )   |
| Gain on conversion of debt   | -                                | -          | 285                             | -          |
| Gain on extinguishment of warrant liability                              | -                                | -          | 1,775                           | -          |
| Gain from change in fair value of embedded derivatives of the 2022 Notes | -                                | 726        | -                               | 3,470      |
| Gain from change in fair value of the 2017 Notes                         | 157                              | 5,673      | 3,582                           | 544        |
| Gain (loss) from change in fair value of derivative warrant liability    | 4,719                            | 4,173      | (2,361 )                        | 6,772      |
| Other income   | -                                | -          | 14                              | 7          |
| Total other income (expense)   | 2,755                            | 7,974      | (2,891 )                        | 800        |
| Net loss   | (6,519 )                         | (938 )     | (28,232 )                       | (30,066 )  |
| Net loss per share - basic and diluted                                   | \$ (0.39 )                       | \$ (0.01 ) | \$ (2.22 )                      | \$ (0.40 ) |
| Weighted-average number of common shares                                 |                                  |            |                                 |            |
| outstanding - basic and diluted  | 16,688,632                       | 5,808,079  | 12,700,844                      | 4,956,994  |

See notes to unaudited consolidated financial statements.



GEVO, INC.

## Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

|   | Nine Months Ended<br>September 30, |            |
|---|------------------------------------|------------|
|   | 2015                               | 2014       |
| <b>Operating Activities</b>   |                                    |            |
| Net loss  | \$(28,232)                         | \$(30,066) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                    |            |
| (Gain) loss from change in fair value of derivative warrant liability       | 2,361                              | (6,772 )   |
| Gain from change in fair value of embedded derivative of the 2022 Notes     | -                                  | (3,470 )   |
| Gain from change in fair value of the 2017 Notes                            | (3,582 )                           | (544 )     |
| Gain on conversion of debt  | (285 )                             | -          |
| Gain on extinguishment of warrant liability                                 | (1,775 )                           | -          |
| Stock-based compensation  | 1,953                              | 2,362      |
| Depreciation and amortization   | 4,897                              | 3,214      |
| Non-cash interest expense   | 2,740                              | 6,374      |
| Changes in operating assets and liabilities:                                |                                    |            |
| Accounts receivable   | 1,227                              | (685 )     |
| Inventories   | 1,589                              | (446 )     |
| Prepaid expenses and other current assets                                   | 114                                | 302        |
| Accounts payable, accrued expenses, and long-term liabilities               | (2,019 )                           | (2,875 )   |
| Net cash used in operating activities                                       | (21,012)                           | (32,606)   |
| <b>Investing Activities</b>   |                                    |            |
| Acquisitions of property, plant and equipment                               | (271 )                             | (4,553 )   |
| Proceeds from sales tax refund for property, plant and equipment            | 144                                | -          |
| Restricted certificate of deposit   | -                                  | (2,611 )   |
| Net cash used in investing activities                                       | (127 )                             | (7,164 )   |

See notes to unaudited consolidated financial statements.



GEVO, INC.

## Consolidated Statements of Cash Flows - Continued

(in thousands)

(unaudited)

|   | Nine Months<br>Ended September<br>30, |          |
|---|---------------------------------------|----------|
|   | 2015                                  | 2014     |
| <b>Financing Activities</b>   |                                       |          |
| Payments on secured debt  | (236 )                                | (9,720 ) |
| Debt and equity offering costs  | (2,785 )                              | (5,051 ) |
| Proceeds from issuance of common stock upon exercise of stock options and<br>employee stock purchase plan | 3                                     | 19       |
| Proceeds from issuance of common stock and common stock units   | 23,850                                | 18,000   |
| Proceeds from the exercise of warrants  | 10,151                                | -        |
| Proceeds from issuance of convertible debt, net   | -                                     | 25,907   |
| Net cash provided by financing activities   | 30,983                                | 29,155   |
| Net increase (decrease) in cash and cash equivalents  | 9,844                                 | (10,615) |
| <b>Cash and cash equivalents</b>  |                                       |          |
| Beginning of period   | 6,359                                 | 24,625   |
| Ending of period  | \$16,203                              | \$14,010 |

See notes to unaudited consolidated financial statements.

GEVO, INC.

Consolidated Statements of Cash Flows - Continued

(in thousands)

(unaudited)

|   | Nine Months<br>Ended  |         |
|---|-----------------------|---------|
|   | September 30,<br>2015 | 2014    |
| Supplemental disclosures of cash and non-cash investing<br>and financing transactions |                       |         |
| Cash paid for interest, net of interest capitalized                                   | \$3,449               | \$3,697 |
| Capitalization of interest, from term to 2017 convertible notes                       | \$-                   | \$201   |
| Non-cash purchase of property, plant and equipment                                    | \$131                 | \$99    |
| Conversion of convertible debt to common stock  | \$2,000               | \$-     |
| 2015 Series A Warrant issuance  | \$1,437               | \$-     |
| 2015 Series B Warrant issuance  | \$2,528               | \$-     |
| 2015 Series C Warrant issuance  | \$1,299               | \$-     |
| Issuance of 2014 Warrants   | \$-                   | \$2,400 |

See notes to unaudited consolidated financial statements.

GEVO, INC.

## Notes to Unaudited Consolidated Financial Statements

## 1. Nature of Business, Financial Condition and Basis of Presentation

Nature of Business. Gevo, Inc. (“Gevo” or the “Company,” which, unless otherwise indicated, refers to Gevo, Inc. and its subsidiaries) is a renewable chemicals and next generation biofuels company focused on the development and commercialization of alternatives to petroleum-based products based primarily on isobutanol produced from renewable feedstocks. Gevo, Inc. was incorporated in Delaware on June 9, 2005. Gevo, Inc. formed Gevo Development, LLC (“Gevo Development”) in September 2009 to finance and develop biorefineries either through joint venture, licensing arrangements, tolling arrangements or direct acquisition (see Note 9). Gevo Development became a wholly owned subsidiary of the Company in September 2010. Gevo Development purchased Agri-Energy, LLC (“Agri-Energy”) in September 2010. Through May 2012, Agri-Energy, a wholly owned subsidiary of Gevo Development, was engaged in the business of producing and selling ethanol and related products produced at its plant located in Luverne, Minnesota (the “Agri-Energy Facility”). The Company commenced the retrofit of the Agri-Energy Facility in 2011 and commenced initial startup operations for the production of isobutanol at this facility in May 2012. In September 2012, the Company made the strategic decision to pause isobutanol production at the Agri-Energy Facility to focus on optimizing specific parts of the process to further enhance isobutanol production rates. In 2013, the Company modified the Agri-Energy Facility in order to increase the isobutanol production rate. In June 2013, the Company resumed the limited production of isobutanol, operating one fermenter and one Gevo Integrated Fermentation Technology® (“GIFT®”) separation system in order to (i) verify that the modifications had significantly reduced the previously identified infections, (ii) demonstrate that its biocatalyst performs in the one million liter fermenters at the Agri-Energy Facility, and (iii) confirm GIFT® efficacy at commercial scale at the Agri-Energy Facility. In August 2013, the Company expanded production capacity at the Agri-Energy Facility by adding a second fermenter and second GIFT® system to further verify its results with a second configuration of equipment. In October 2013, the Company began commissioning the Agri-Energy Facility on corn mash to test isobutanol production run rates and to optimize biocatalyst production, fermentation separation and water management systems. In March 2014, the Company decided to leverage the flexibility of its GIFT® technology and further modify the Agri-Energy Facility to enable the simultaneous production of isobutanol and ethanol. In July 2014, the Company began more consistent co-production of isobutanol and ethanol at the Agri-Energy Facility, with one fermenter utilized for isobutanol production and three fermenters utilized for ethanol production. In line with the Company’s strategy to maximize asset utilization and site cash flows, this configuration of the plant should allow the Company to continue to optimize its isobutanol technology at a commercial scale, while taking advantage of potentially favorable ethanol contribution margins. Also with a view to maximizing site cash flows, over certain periods of time, the Company may and has operated the plant for the sole production of ethanol across all four fermenters.

As of September 30, 2015, the Company continues to conduct research and development, business development, business and financial planning, establishing its facilities including retrofitting the Agri-Energy Facility, initial startup operations for isobutanol production at the Agri-Energy Facility and raising capital. Ultimately, the Company believes that the attainment of profitable operations is dependent upon future events, including completion of its development activities resulting in commercial production and sales of isobutanol or isobutanol-derived products and/or technology, obtaining adequate financing to complete its development activities and build out further isobutanol production capacity, gaining market acceptance and demand for its products and services, and attracting and retaining qualified personnel.

The Company has primarily derived revenue from the sale of ethanol, distiller’s grains and other related products produced as part of the ethanol production process at the Agri-Energy Facility. The production of ethanol alone is not the Company’s intended business and its future strategy is expected to depend on its ability to produce and market

isobutanol and products derived from isobutanol. Given that the production of ethanol alone is not the Company's intended business, and the Company is only beginning to achieve more consistent production and revenue from the sale of isobutanol, the historical operating results of Agri-Energy may not be indicative of future operating results for Agri-Energy or Gevo.

## GEVO, INC.

## Notes to Unaudited Consolidated Financial Statements (Continued)

**Financial Condition.** For the nine months ended September 30, 2015, the Company incurred a consolidated net loss of \$28.2 million and had an accumulated deficit of \$331.5 million. The Company's cash and cash equivalents at September 30, 2015 totaled \$16.2 million which is primarily being used for the following: (i) operating activities of the Agri-Energy Facility; (ii) operating activities at its corporate headquarters in Colorado, including research and development work; (iii) capital improvements primarily associated with its Agri-Energy Facility; (iv) costs associated with optimizing isobutanol production technology; and (v) debt service obligations. The Company expects to incur future net losses as it continues to fund the development and commercialization of its product candidates. The Company's transition to profitability is dependent upon, among other things, the successful development and commercialization of its product candidates and the achievement of a level of revenues adequate to support the Company's cost structure. The Company may never achieve profitability or positive cash flows, and unless and until it does, the Company will continue to need to raise additional cash. Management intends to fund future operations through additional private and/or public offerings of debt or equity securities. In addition, the Company may seek additional capital through arrangements with strategic partners or from other sources, it may seek to restructure its debt and it will continue to address its cost structure. Notwithstanding, there can be no assurance that the Company will be able to raise additional funds, or achieve or sustain profitability or positive cash flows from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern and do not include adjustments that might result from the outcome of this uncertainty. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of liabilities in the normal course of business.

**Basis of Presentation.** The unaudited consolidated financial statements of the Company (which include the accounts of its wholly-owned subsidiaries Gevo Development and Agri-Energy) have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company at September 30, 2015 and are not necessarily indicative of the results to be expected for the full year. These statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included under the heading "Financial Statements and Supplementary Data" in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as amended (the "Annual Report").

On April 15, 2015, the Board of Directors of the Company approved a reverse split of the Company's common stock, par value \$0.01, at a ratio of one-for-fifteen. This reverse stock split became effective on April 20, 2015 and, unless otherwise indicated, all share amounts, per share data, share prices, exercise prices and conversion rates set forth in these notes and the accompanying consolidated financial statements have, where applicable, been adjusted retroactively to reflect this reverse stock split.

**Recent Accounting Pronouncements.** In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The objective of ASU 2014-09 is to outline a new, single comprehensive model to use in accounting for revenue arising from contracts with customers. The new revenue recognition model provides a five-step analysis for determining when and how revenue is recognized, depicting the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received in exchange for those goods or services. ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2016. Early adoption is not permitted. On July 9, 2015, the FASB Board voted to delay the implementation of ASU 2014-09 by one year to December 15, 2017. The Company is currently evaluating the impact of adopting ASU 2014-09.

In April 2015, the FASB issued authoritative guidance intended to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liabilities, consistent with the presentation of debt discounts. This will result in the elimination of debt issuance costs as an asset and will reduce the carrying value of our debt liabilities. This guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. The Company is currently evaluating the potential impact of this guidance.

## 2. Earnings per Share

Basic net loss per share is computed by dividing the net loss attributable to Gevo, Inc. common stockholders for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share ("EPS") includes the dilutive effect of common stock equivalents and is computed using the weighted-average number of common stock and common stock equivalents outstanding during the reporting period. Diluted EPS for the nine months ended September 30, 2015 and 2014 excluded common stock equivalents because the effect of their inclusion would be anti-dilutive, or would decrease the reported loss per share.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

The following table sets forth securities outstanding that could potentially dilute the calculation of diluted earnings per share.

|  | As of September 30, |           |
|--|---------------------|-----------|
|  | 2015                | 2014      |
| Warrants to purchase common stock            | 3,913,718           | 2,504,237 |
| 2017 Notes                                   | 1,502,532           | 1,502,532 |
| 2022 Notes                                   | 291,611             | 315,034   |
| Outstanding options to purchase common stock | 433,371             | 249,410   |
| Unvested restricted common stock             | 36,713              | 67,348    |
| Total  | 6,177,945           | 4,638,561 |

3. Inventories

The following table sets forth the components of the Company's inventory balances (in thousands).

|                          | September<br>30,<br>2015 | December<br>31,<br>2014 |
|--------------------------|--------------------------|-------------------------|
| Raw materials            |                          |                         |
| Corn                     | \$ 142                   | \$ 1,369                |
| Enzymes and other inputs | 209                      | 344                     |
| Finished goods           | 389                      | 525                     |
| Work in process          | 610                      | 610                     |
| Spare parts              | 1,353                    | 1,444                   |
| Total inventories        | \$ 2,703                 | \$ 4,292                |

4. Property, Plant and Equipment

The following table sets forth the Company's property, plant and equipment by classification (in thousands).

|                               | Useful<br>Life | September<br>30,<br>2015 | December<br>31,<br>2014 |
|-------------------------------|----------------|--------------------------|-------------------------|
| Construction in progress      | -              | \$ 181                   | \$ 440                  |
| Plant machinery and equipment | 10 years       | 13,840                   | 13,367                  |

Edgar Filing: Gevo, Inc. - Form 10-Q

|   |             |           |           |
|---|-------------|-----------|-----------|
| Site improvements   | 10 years    | 7,039     | 7,015     |
| Retrofit asset  | 20 years    | 65,457    | 65,601    |
| Lab equipment, furniture and fixtures and vehicles              | 5 years     | 6,394     | 6,385     |
| Demonstration plant   | 2 years     | 3,597     | 3,597     |
| Buildings   | 10 years    | 2,543     | 2,543     |
| Computer, office equipment and software                         | 3 years     | 1,550     | 1,490     |
| Leasehold improvements, pilot plant, land and support equipment | 2 - 5 years | 2,143     | 2,144     |
| Total property, plant and equipment                             |             | 102,744   | 102,582   |
| Less accumulated depreciation and amortization                  |             | (26,239 ) | (21,342 ) |
| Property, plant and equipment, net                              |             | \$ 76,505 | \$ 81,240 |

Included in cost of goods sold is depreciation of \$1.4 million during the three months ended September 30, 2015 and 2014, and \$4.3 million and \$2.5 million during the nine months ended September 30, 2015 and 2014, respectively.

Included in operating expenses is depreciation of \$0.2 million and \$0.3 million during the three months ended September 30, 2015 and 2014, respectively, and \$0.6 million and \$0.8 million during the nine months ended September 30, 2015 and 2014, respectively.



GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

## 5. Embedded Derivatives

## Convertible 2022 Notes

In July 2012, the Company issued 7.5% convertible senior notes due 2022 (the “2022 Notes”) which contain the following embedded derivatives: (i) rights to convert into shares of the Company’s common stock, including upon a Fundamental Change (as defined in the indenture governing the 2022 Notes (the “Indenture”)); and (ii) a Coupon Make-Whole Payment (as defined in the Indenture) in the event of a conversion by the holders of the 2022 Notes prior to July 1, 2017. Embedded derivatives are separated from the host contract, the 2022 Notes, and carried at fair value when: (a) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract; and (b) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument. The Company has concluded that the embedded derivatives within the 2022 Notes meet these criteria and, as such, must be valued separate and apart from the 2022 Notes as one embedded derivative and recorded at fair value each reporting period.

The Company used a binomial lattice model in order to estimate the fair value of the embedded derivative in the 2022 Notes. A binomial lattice model generates two probable outcomes, whether up or down, arising at each point in time, starting from the date of valuation until the maturity date. A lattice was initially used to determine if the 2022 Notes would be converted, called or held at each decision point. Within the lattice model, the following assumptions are made: (i) the 2022 Notes will be converted early if the conversion value is greater than the holding value; or (ii) the 2022 Notes will be called if the holding value is greater than both (a) the Redemption Price (as defined in the Indenture) and (b) the conversion value plus the Coupon Make-Whole Payment at the time. If the 2022 Notes are called, then the holders will maximize their value by finding the optimal decision between (1) redeeming at the Redemption Price and (2) converting the 2022 Notes.

Using this lattice, the Company valued the embedded derivative using a “with-and-without method,” where the value of the 2022 Notes including the embedded derivative, is defined as the “with”, and the value of the 2022 Notes excluding the embedded derivative, is defined as the “without”. This method estimates the value of the embedded derivative by looking at the difference in the values between the 2022 Notes with the embedded derivative and the value of the 2022 Notes without the embedded derivative. The lattice model requires the following inputs: (i) price of Gevo common stock; (ii) Conversion Rate (as defined in the Indenture); (iii) Conversion Price (as defined in the Indenture); (iv) maturity date; (v) risk-free interest rate; (vi) estimated stock volatility; and (vii) estimated credit spread for the Company.

The following table sets forth the inputs to the lattice model that were used to value the embedded derivative.

|                            |                         |   |
|----------------------------|-------------------------|---|
|                            | December<br>31,<br>2014 |   |
| Stock price                | \$4.80                  |   |
| Conversion Rate            | 11.7113                 |   |
| Conversion Price           | \$85.39                 |   |
|                            | July 1,<br>2022         |   |
| Maturity date              |                         |   |
| Risk-free interest rate    | 2.00                    | % |
| Estimated stock volatility | 87                      | % |

|                         |    |   |
|-------------------------|----|---|
| Estimated credit spread | 20 | % |
|-------------------------|----|---|

Inputs used to estimate the value of the embedded derivative as of September 30, 2015 were substantially similar to those used as of the period ended June 30, 2015. Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the embedded derivatives. For example, the estimated fair value of the embedded derivatives will generally decrease with; (i) a decline in the stock price; (ii) a decrease in the estimated stock volatility; and (iii) a decrease in the estimated credit spread.

## GEVO, INC.

## Notes to Unaudited Consolidated Financial Statements (Continued)

## Derivative Warrant Liability

In December 2013, the Company sold 1,420,250 shares of the Company's common stock and warrants to purchase an additional 1,420,250 shares of the Company's common stock (the "2013 Warrants"). In August 2014, the Company sold 2,000,000 shares of common stock and warrants to purchase an additional 1,000,000 shares of common stock (the "2014 Warrants"). In February 2015, the Company sold 2,216,667 shares of the Company's common stock, Series A warrants to purchase an additional 2,216,667 shares of the Company's common stock (the "2015 Series A Warrants"), and Series B warrants to purchase an additional 2,216,667 shares of the Company's common stock (the "2015 Series B Warrants"). In May 2015, the Company sold 4,300,000 shares of the Company's common stock and Series C warrants to purchase an additional 430,000 shares of the Company's common stock (the "2015 Series C Warrants" and together with the 2015 Series A Warrants and the 2015 Series B Warrants, the "2015 Warrants").

|                        | Issuance   | Expiration | Exercise | Shares     | Shares Issued   | Shares         |
|------------------------|------------|------------|----------|------------|-----------------|----------------|
|                        | Date       | Date       | Price    | Underlying | upon Warrant    | Outstanding as |
|                        |            |            |          | Warrants   | Exercises as of | of             |
|                        |            |            |          | on         | September 30,   | September 30,  |
|                        |            |            |          | Issuance   | 2015            | 2015           |
| 2013 Warrants          | 12/16/2013 | 12/16/2018 | \$ 12.65 | 1,420,250  | 304,771         | 1,115,479      |
| 2014 Warrants          | 8/5/2014   | 8/5/2019   | \$ 8.30  | 1,000,000  | 610,765         | 389,235        |
| 2015 Series A Warrants | 2/3/2015   | 2/3/2020   | \$ 3.75  | 2,216,667  | 321,665         | 1,895,000      |
| 2015 Series B Warrants | 2/3/2015   | 8/3/2015   | \$ 3.00  | 2,216,667  | 1,907,773       | -              |
| 2015 Series C Warrants | 5/19/2015  | 5/19/2020  | \$ 5.50  | 430,000    | -               | 430,000        |
|                        |            |            |          | 7,283,584  | 3,144,974       | 3,829,714      |

The agreements governing the above warrants include the following terms:

- the warrants have exercise prices which are subject to adjustment for certain events, including the issuance of stock dividends on the Company's common stock and, in certain instances, the issuance of the Company's common stock or instruments convertible into the Company's common stock at a price per share less than the exercise price of the respective warrants;
- warrant holders may exercise the warrants through a cashless exercise if, and only if, the Company does not have an effective registration statement then available for the issuance of the shares of its common stock. If an effective registration statement is available for the issuance of its common stock a holder may only exercise the warrants through a cash exercise;

- the exercise price and the number and type of securities purchasable upon exercise of the warrants are subject to adjustment upon certain corporate events, including certain combinations, consolidations, liquidations, mergers, recapitalizations, reclassifications, reorganizations, stock dividends and stock splits, a sale of all or substantially all of the Company's assets and certain other events; and
- in the event of an extraordinary transaction (as defined in the respective warrant agreements), generally including any merger with or into another entity, sale of all or substantially all of the Company's assets, tender offer or exchange offer, or reclassification of its common stock, in which the successor entity (as defined in the respective warrant agreements) that assumes the warrant is not a publicly traded company, the Company or any successor entity will pay the warrant holder, at such holder's option, exercisable at any time concurrently with or within 30 days after the consummation of the extraordinary transaction, an amount of cash equal to the value of such holder's warrants as determined in accordance with the Black Scholes option pricing model and the terms of the respective warrant agreement.
- Additionally, the agreement governing the 2015 Series B Warrants included the following additional term(s):
- if, commencing on the 30th day after the 2015 Series B Warrants are issued and continuing through the expiration date of the 2015 Series B Warrants, the adjusted market price (as defined in the warrant agreement governing the terms of the 2015 Series B Warrants) of a share of the Company's common stock was less than \$3.00 (as adjusted for stock splits, stock dividends, recapitalization and other similar events), then the holders of the 2015 Series B Warrants could have exercised the 2015 Series B Warrants in a cashless exercise. This cashless exercise provision would have, subject to certain limitations set forth in the warrant agreement, permitted holders of such 2015 Series B Warrants to obtain a number of shares of the Company's common stock equal to 100% of (i) the aggregate dollar amount of 2015 Series B

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Warrants being exercised divided by the market price less (ii) the number of shares into which such 2015 Series B Warrants would then be exercised on a cash basis. The Series B Warrants expired on August 3, 2015. Based on these terms, the Company has determined that the 2013 Warrants, the 2014 Warrants, and the 2015 Warrants (together, the "Warrants") qualify as derivatives and, as such, are presented as derivative warrant liability on the consolidated balance sheets and recorded at fair value each reporting period. The fair value of the Warrants was estimated to be \$3.4 million and \$3.1 million as of September 30, 2015 and December 31, 2014, respectively. The increase in the estimated fair value of the Warrants represents an unrealized loss which has been recorded as a loss from the change in fair value of derivative warrant liability in the consolidated statements of operations.

During the nine months ended September 30, 2015, Common Stock was issued as a result of exercise of Warrants as described below:

|                        | Nine Months Ended September 30, 2015 |               |
|------------------------|--------------------------------------|---------------|
|                        | Common Stock                         |               |
|                        | Issued                               | Proceeds      |
| 2013 Warrants          | 304,756                              | \$ 1,057,010  |
| 2014 Warrants          | 610,765                              | 2,204,540     |
| 2015 Series A Warrants | 321,665                              | 1,302,750     |
| 2015 Series B Warrants | 1,907,773                            | 5,586,564     |
| 2015 Series C Warrants | -                                    | -             |
|                        | 3,144,960                            | \$ 10,150,863 |

In May 2015, certain holders of the 2013 Warrants agreed to exercise some or all of their 2013 Warrants for cash, at the then-current exercise price of \$15.30 per share. As an inducement to exercise the 2013 Warrants, the Company agreed to pay each such holder a cash inducement fee in an amount equal to \$11.55 for each share of common stock issued upon such exercise, which resulted in net proceeds to the Company of \$3.75 per share. In addition, certain holders of the 2014 Warrants agreed to exercise some or all of their 2014 Warrants for cash, at the then-current exercise price of \$9.60 per share. As an inducement to exercise the 2014 Warrants, the Company agreed to pay each such holder a cash inducement fee in an amount equal to \$5.85 for each share of common stock issued upon such exercise, which resulted in net proceeds to the Company of \$3.75 per share. The Company received aggregate proceeds, net of inducement fees, of approximately \$3.43 million from the exercises of the 2013 Warrants and 2014 Warrants described above.

## 6. Accounts Payable and Accrued Liabilities

The following table sets forth the components of the Company's accounts payable and accrued liabilities in the consolidated balance sheets (in thousands).

Edgar Filing: Gevo, Inc. - Form 10-Q

|  | September<br>30,<br>2015 | December<br>31,<br>2014 |
|--|--------------------------|-------------------------|
| Accounts payable - trade                       | \$ 3,287                 | \$ 2,639                |
| Accrued legal-related fees                     | 1,201                    | 2,944                   |
| Accrued employee compensation                  | 587                      | 801                     |
| Accrued interest                               | 467                      | 1,009                   |
| Other accrued liabilities *                    | 1,269                    | 1,195                   |
| Total accounts payable and accrued liabilities | \$ 6,811                 | \$ 8,588                |

\* Other accrued liabilities consists of franchise taxes, property taxes, short term capital lease, audit fees, and a variety of other expenses including software, legal fees, etc. none of which individually represent greater than 5% of total current liabilities.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

## 7. Senior Secured Debt, Secured Debt and 2022 Notes

## Senior Secured Debt

In May 2014, the Company entered into a term loan agreement (the "Loan Agreement") with the lenders party thereto from time to time (each, a "Lender" and collectively, the "Lenders") and Whitebox Advisors, LLC, as administrative agent for the Lenders ("Whitebox"), with a maturity date of March 15, 2017, pursuant to which the Lenders committed to provide one or more senior secured term loans to the Company in an aggregate amount of up to approximately \$31.1 million on the terms and conditions set forth in the Loan Agreement (collectively, the "Term Loan"). The first advance of the Term Loan in the amount of \$22.8 million (the "First Advance"), net of discounts and issue costs of \$1.6 million and \$1.5 million, respectively, was made to the Company in May 2014. Also in May 2014, the Company and its subsidiaries entered into an Exchange and Purchase Agreement (the "Exchange and Purchase Agreement") with WB Gevo, Ltd. and the other Lenders party thereto from time to time and Whitebox, in its capacity as administrative agent for the Lenders. Pursuant to the terms of the Exchange and Purchase Agreement, the Lenders were given the right, subject to certain conditions, to exchange all or a portion of the outstanding principal amount of the Term Loan for the Company's 2017 Notes (as defined below), which are convertible into shares of the Company's common stock. While outstanding, the Term Loan bore an interest rate equal to 15% per annum, of which 5% was payable in cash and 10% was payable in kind and capitalized and added to the principal amount of the Term Loan.

In June 2014, the Lenders exchanged all \$25.9 million of outstanding principal amount of Term Loan provided in the First Advance for 10% convertible senior secured notes due 2017 (the "2017 Notes" and, together with the 2022 Notes, the "Convertible Notes"), together with accrued paid-in-kind interest of \$0.2 million. The terms of the 2017 Notes are set forth in an indenture by and among the Company, its subsidiaries in their capacity as guarantors, and Wilmington Savings Fund Society, FSB, as trustee (the "2017 Notes Indenture"). The 2017 Notes will mature on March 15, 2017. The 2017 Notes have a conversion price (the "Conversion Price") equal to \$17.38 per share or 0.0576 shares per \$1 principal amount of 2017 Notes. Optional prepayment of the 2017 Notes will not be permitted. The 2017 Notes bear interest at a rate equal to 10% per annum, which is payable 5% in cash and, under certain circumstances, 5% in kind and capitalized and added to the principal amount of the 2017 Notes. While the 2017 Notes are outstanding, the Company is required to maintain an interest reserve in an amount equal to 10% of the aggregate outstanding principal amount, to be adjusted on an annual basis. As of September 30, 2015, there was a balance of \$2.6 million in the interest reserve account. This amount is classified as restricted deposits.

The 2017 Notes Indenture contains customary affirmative and negative covenants for agreements of this type and events of default, including, restrictions on disposing of certain assets, granting or otherwise allowing the imposition of a lien against certain assets, incurring certain amounts of additional indebtedness, making investments, acquiring or merging with another entity, and making dividends and other restricted payments, unless the Company receives the prior approval of the required holders. The 2017 Notes Indenture also contains limitations on the ability of the holder to assign or otherwise transfer its interest in the 2017 Notes. The 2017 Notes are secured by a lien on substantially all of the assets of the Company and is guaranteed by Agri-Energy and Gevo Development (together, the "Guarantor Subsidiaries" or "Guarantors"). On June 6, 2014, in connection with the issuance of the 2017 Notes, the Company and the Guarantor Subsidiaries entered into a pledge and security agreement in favor of the collateral trustee. The collateral pledged includes substantially all of the assets of the Company and the Guarantor Subsidiaries, including intellectual property and real property. Agri-Energy has also entered into a mortgage with respect to the real property located in Luverne Minnesota.

The holders of the 2017 Notes may, at any time until the close of business on the business day immediately preceding the maturity date, convert the principal amount of the 2017 Notes, or any portion of such principal amount which is at least \$1,000, into shares of the Company's common stock. Upon conversion of the 2017 Notes, the Company will

deliver shares of common stock at a conversion rate of 0.0576 shares of common stock per \$1.00 principal amount of the 2017 Notes (equivalent to a conversion price of approximately \$17.38 per share of common stock). Such conversion rate is subject to adjustment in certain circumstances, including in the event that there is a dividend or distribution paid on shares of the common stock or a subdivision, combination or reclassification of the common stock. The Company also has the right to increase the conversion rate (i) by any amount for a period of at least 20 business days if the Company's board of directors determines that such increase would be in the Company's best interest or (ii) to avoid or diminish any income tax to holders of shares of common stock or rights to purchase shares of common stock in connection with any dividend or distribution. In addition, subject to certain conditions described herein, each holder who exercises its option to voluntarily convert its 2017 Notes will receive a make-whole payment in an amount equal to any unpaid interest that would otherwise have been payable on such 2017 Notes through the maturity date (a "Voluntary Conversion Make-Whole Payment"). Subject to certain limitations, the Company may pay any Voluntary Conversion Make-Whole Payments either in cash or in shares of common stock, at its election.

The Company has the right to require holders of the 2017 Notes to convert all or part of the 2017 Notes into shares of its common stock if the last reported sales price of the common stock over any 10 consecutive trading days equals or exceeds 150% of



GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

the applicable conversion price (a “Mandatory Conversion”). Each holder whose 2017 Notes are converted in a Mandatory Conversion will receive a make-whole payment for the converted notes in an amount equal to any unpaid interest that would have otherwise been payable on such 2017 Notes through the maturity date (a “Mandatory Conversion Make-Whole Payment”). Subject to certain limitations, the Company may pay any Mandatory Conversion Make-Whole Payments either in cash or in shares of common stock, at its election. The Company did not require any holders to convert in 2014 and has not required any holders to convert through the nine months ended September 30, 2015.

If a fundamental change of the Company occurs, the holders of 2017 Notes may require the Company to repurchase all or a portion of the 2017 Notes at a cash repurchase price equal to 100% of the principal amount of such 2017 Notes, plus accrued and unpaid interest, if any, through, but excluding, the repurchase date, plus a cash make-whole payment for the repurchased 2017 Notes in an amount equal to any unpaid interest that would otherwise have been payable on such convertible 2017 Notes through the maturity date. A fundamental change includes, among other things, the Company’s common stock ceasing to be listed on a national securities exchange.

On July 31, 2014, January 28, 2015 and May 13, 2015, the Company entered into amendments to the 2017 Notes Indenture to, among other things, permit the offering and issuance of additional warrants and the incurrence of indebtedness by the Company under such additional warrants.

On June 1, 2015, the Company entered into further amendments to the 2017 Notes Indenture to, among other things, permit (i) the execution, delivery, and performance of the FCStone Agreements (as defined below) and the related Guaranty (as defined below), (ii) the incurrence of indebtedness by the Company and Agri-Energy pursuant thereto and (iii) the making of the investments by the Company and Agri-Energy thereunder.

On August 22, 2015, the Company entered into further amendments to the 2017 Notes Indenture to, among other things, permit (i) the execution, delivery, and performance of the License Agreement (as defined below) and (ii) the exchange of all or any portion of the 2022 Notes for common stock issued by the Company.

In connection with the transactions described above, the Company also entered into a Registration Rights Agreement, dated May 9, 2014 (the “Registration Rights Agreement”), pursuant to which the Company filed a registration statement on Form S-3 registering the resale of approximately 1.2 million shares of the Company’s common stock which are issuable under the 2017 Notes. This registration statement was declared effective on July 25, 2014.

The Company has elected the fair value option for accounting of the Term Loan and 2017 Notes in order for management to mitigate income statement volatility caused by measurement basis differences between the embedded instruments or to eliminate complexities of applying certain accounting models. Accordingly, the principal amount of 2017 Notes outstanding at September 30, 2015 of \$26.1 million has been recorded at its estimated fair value of \$21.9 million and is included in the 2017 Notes recorded at fair value on the consolidated balance sheets at September 30, 2015. Debt issuance costs of \$1.5 million were expensed at issuance and a gain of \$4.2 million has been recognized in subsequent periods in connection with the election of the fair value option. Change in the estimated fair value of the 2017 Notes represents an unrealized gain included in gain (loss) from change in fair value of 2017 Notes in the consolidated statements of operations. The fair value of the 2017 Notes at the issuance date were equal to the net proceeds from the loan. During the nine months ended September 30, 2015, the Company incurred cash interest expense of \$1.3 million.

The following table sets forth the inputs to the lattice model that were used to value the Term Loan and 2017 Notes for which the fair value option was elected.

|                            | September<br>30,<br>2015 | December<br>31,<br>2014 |      |   |
|----------------------------|--------------------------|-------------------------|------|---|
| Stock price                | \$ 1.72                  | \$ 4.80                 |      |   |
| Conversion Rate            | 57.6                     | 57.6                    |      |   |
| Conversion Price           | \$ 17.38                 | \$ 17.38                |      |   |
| Maturity date              | March 15,<br>2017        | March<br>15, 2017       |      |   |
| Risk-free interest rate    | 0.47                     | %                       | 0.80 | % |
| Estimated stock volatility | 130.0                    | %                       | 87.0 | % |
| Estimated credit spread    | 27.0                     | %                       | 15.0 | % |

## GEVO, INC.

## Notes to Unaudited Consolidated Financial Statements (Continued)

The following table sets forth information pertaining to the Term Loan and 2017 Notes which is included in the Company's consolidated balance sheets (in thousands).

|  | Principal<br>Amount<br>of Term<br>Loans | Principal<br>Amount<br>of 2017<br>Notes | Change in<br>Estimated<br>Fair Value | Total    |
|--|---|---|--------------------------------------|----------|
| Balance - December 31, 2013            | \$-                                     | \$-                                     | \$ -                                 | \$-      |
| Issuance of Term Loan                  | 25,907                                  | -                                       | -                                    | 25,907   |
| Exchange of Term Loan for 2017 Notes   | (25,907)                                | 25,907                                  | -                                    | -        |
| Non-cash paid-in-kind interest expense | -                                       | 201                                     | -                                    | 201      |
| Gain from change in fair value of debt | -                                       | -                                       | (648 )                               | (648 )   |
| Balance - December 31, 2014            | \$-                                     | \$26,108                                | \$ (648 )                            | \$25,460 |
| Gain from change in fair value of debt | -                                       | -                                       | (3,582 )                             | (3,582 ) |
| Balance - September 30, 2015           | \$-                                     | \$26,108                                | \$ (4,230 )                          | \$21,878 |

Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the 2017 Notes. For example, the estimated fair value will generally decrease with; (1) a decline in the stock price; (2) decreases in the estimated stock volatility; and (3) a decrease in the estimated credit spread. The change in the estimated fair value of the 2017 Notes during the nine months ended September 30, 2015, represents an unrealized gain which has been recorded as gain from change in fair value of 2017 Notes in the consolidated statements of operations.

## Secured Debt

The following table sets forth information pertaining to the Company's secured debt issued to TriplePoint Capital LLC ("TriplePoint") which is included in the Company's consolidated balance sheets (in thousands).

|                                | September<br>30,<br>2015 | December<br>31,<br>2014 |
|--------------------------------|--------------------------|-------------------------|
| Secured debt                   |                          |                         |
| TriplePoint - May 2014 Advance | \$ 561                   | \$ 822                  |
| Total secured debt             | 561                      | 822                     |
| Less:                          |                          |                         |
| Unamortized debt discounts     | -                        | (49 )                   |
|                                | 561                      | 773                     |
| Less current portion of debt   | (320 )                   | (288 )                  |
| Long-term portion of debt      | \$ 241                   | \$ 485                  |

Debt discounts associated with the issuance of the Company's secured debt and convertible notes are recorded in the consolidated balance sheets as a reduction to related debt balances. The Company amortizes debt discount to interest expense over the term of the debt or expected life of the debt using the effective interest method.

Amended Agri-Energy Loan Agreement. In October 2011, the loan and security agreement with TriplePoint was amended and restated (the "Amended Agri-Energy Loan Agreement") to provide Agri-Energy with additional term loan facilities of up to \$15.0 million to pay a portion of the costs, expenses, and other amounts associated with the retrofit of the Agri-Energy Facility to produce isobutanol. In October 2011, Agri-Energy borrowed \$10.0 million under the additional term loan facilities which bore interest at a rate equal to 11%. In January 2012, Agri-Energy borrowed an additional \$5.0 million under the additional term loan facilities, bringing the total borrowed under the additional term loan facilities to \$15.0 million.

In May 2014, the Company and its subsidiaries entered into a Consent Under and Third Amendment to Amended and Restated Plain English Growth Capital Loan and Security Agreement and Omnibus Amendment to Loan Documents (the "2014 Amendment") pursuant to which TriplePoint amended its agreements with the Company and its subsidiaries and consented to (a) the execution, delivery, and performance of the Loan Agreement, the Exchange and Purchase Agreement, the Registration Rights Agreement, the 2017 Notes Indenture, the 2017 Notes, and the other documents related thereto (collectively the "Senior Loan Documents"); (b) the incurrence of the Term Loan with Whitebox and any other indebtedness under the Senior Loan Documents (collectively, the "Senior

## GEVO, INC.

## Notes to Unaudited Consolidated Financial Statements (Continued)

Indebtedness”); (c) the consummation of the exchange of the Term Loan for the 2017 Notes; (d) the offering, issuance and sale of the 2017 Notes to Whitebox and the conversion of any 2017 Notes into the common stock of the Company pursuant to the terms of the 2017 Notes Indenture; (e) the guaranty of the Senior Indebtedness provided by the Guarantors; (f) the liens granted by each of the Company and the Guarantors to secure the Senior Indebtedness and the other obligations under the Senior Loan Documents; (g) the consummation of any transactions contemplated by, and the terms of, the Senior Loan Documents by the Company and the Guarantors; and (h) the payment and performance of any of the obligations under the Senior Loan Documents by the Company and the Guarantors, including the making of dividends and distributions by the Guarantors to the Company for the purpose of enabling the Company to make any payments under the Senior Loan Documents.

As part of the 2014 Amendment, the Company repaid \$9.6 million in principal payments due under the foregoing loan agreements with TriplePoint and entered into an amended Loan Agreement with TriplePoint. At September 30, 2015, the amended loan agreement had a principal balance of \$0.6 million, which amortizes over 36 months and bears interest at a rate equal to 9% per annum and matures in May of 2017. There were no additional concessions or terms of the agreement which would require recognition of a gain or loss due to this amended agreement. As of September 30, 2015, Agri-Energy has granted TriplePoint a junior security interest in all of its assets as security for its obligations under the Amended Agri-Energy Loan Agreement.

On July 31, 2014, January 28, 2015, and May 13, 2015, the Company entered into further amendments to the Amended Agri-Energy Loan Agreement and the Gevo Security Agreement to, among other things, permit the offering and issuance of additional warrants and the incurrence of indebtedness by the Company under such additional warrants.

At September 30, 2015, we were in compliance with the debt covenants under the Amended Agri-Energy Loan Agreement. As of September 30, 2015, Agri-Energy has granted TriplePoint a junior security interest in, and a lien upon, all of its assets as security for its obligations under the Amended Agri-Energy Loan Agreement. Gevo, Inc. has also guaranteed Agri-Energy’s obligations under the Amended Agri-Energy Loan Agreement. As additional security, concurrently with the execution of the Amended Agri-Energy Loan Agreement, (i) Gevo Development entered into a limited recourse continuing guaranty in favor of TriplePoint, (ii) Gevo Development entered into an amended and restated limited recourse membership interest pledge agreement in favor of TriplePoint, pursuant to which it pledged the membership interests of Agri-Energy as collateral to secure the obligations under its guaranty and (iii) Gevo, Inc. entered into a security agreement which secured its guarantee of Agri-Energy’s obligations under the Amended Agri-Energy Loan Agreement. Under the terms of the Amended Agri-Energy Loan Agreement, subject to certain limited exceptions, Agri-Energy is only permitted to pay dividends if the following conditions are satisfied: (i) the Retrofit of the Agri-Energy Facility is complete and the facility is producing commercial volumes of isobutanol, (ii) its net worth is greater than or equal to \$10.0 million, and (iii) no event of default has occurred and is continuing under the agreement.

## 2022 Notes

The following table sets forth information pertaining to the 2022 Notes which is included in the Company’s consolidated balance sheets (in thousands).

| Embedded | Principal | Debt | Total |
|----------|-----------|------|-------|
|----------|-----------|------|-------|

|  | Derivatives | Amount    | Discount   |                  |
|--|-------------|-----------|------------|------------------|
|  |             |           |            | of 2022<br>Notes |
| Balance - December 31, 2013                            | \$ 3,470    | \$ 26,900 | \$(15,869) | \$ 14,501        |
| Amortization of debt discount                          | -           | -         | 2,648      | 2,648            |
| Gain from change in fair value of embedded derivatives | (3,470 )    | -         | -          | (3,470 )         |
| Balance - December 31, 2014                            | \$ -        | \$ 26,900 | \$(13,221) | \$ 13,679        |
| Amortization of debt discount                          | -           | -         | 3,563      | 3,563            |
| Conversion   | -           | (2,000 )  | -          | (2,000 )         |
| Balance - September 30, 2015                           | \$ -        | \$ 24,900 | \$(9,658 ) | \$ 15,242        |

In July 2012, the Company sold \$45.0 million in aggregate principal amount of 2022 Notes, with net proceeds of \$40.9 million, after accounting for \$2.7 million and \$1.4 million of discounts and issue costs, respectively. The 2022 Notes bear interest at 7.5% which is to be paid semi-annually in arrears on January 1 and July 1 of each year. The 2022 Notes will mature on July 1, 2022, unless earlier repurchased, redeemed or converted. During the nine months ended September 30, 2015, the Company recorded \$1.7 million of expense related to the amortization of debt discounts and issue costs and \$1.0 million of expense related to the conversion of debt and recorded \$0.9 million of interest expense related to the 2022 Notes. The amortization of debt issue costs and debt discounts and cash interest are included as a component of interest expense in the consolidated statements of operations. The Company amortizes

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

debt discounts and debt issue costs associated with the 2022 Notes using an effective interest rate of 40% from the issuance date through July 1, 2017, a five-year period, which represents the date the holders can require the Company to repurchase the 2022 Notes.

The 2022 Notes are convertible at conversion rate of 11.7113 shares of the Company's common stock per \$1,000 principal amount of 2022 Notes, subject to adjustment in certain circumstances as described in the Indenture. This is equivalent to a conversion price of approximately \$85.39 per share of common stock. Holders may convert the 2022 Notes at any time prior to the close of business on the third business day immediately preceding the maturity date of July 1, 2022.

If a holder elects to convert its 2022 Notes prior to July 1, 2017, such holder shall be entitled to receive, in addition to the consideration upon conversion, a Coupon Make-Whole Payment. The Coupon Make-Whole Payment is equal to the sum of the present values of the number of semi-annual interest payments that would have been payable on the 2022 Notes that a holder has elected to convert from the last day through which interest was paid up to but excluding July 1, 2017, computed using a discount rate of 2%. The Company may pay any Coupon Make-Whole Payment either in cash or in shares of common stock at its election. Under the Amended Agri-Energy Loan Agreement with TriplePoint, the Company is prohibited from making any Coupon Make-Whole Payments in cash prior to the payment in full of all remaining outstanding obligations under the Amended Agri-Energy Loan Agreement. If the Company elects to pay in common stock, the stock will be valued at 90% of the average of the daily volume weighted average prices of the Company's common stock for the 10 trading days preceding the date of conversion. During the nine months ended September 30, 2015, no holders of the 2022 Notes elected to convert notes.

If a Make-Whole Fundamental Change (as defined in the Indenture) occurs and a holder elects to convert its 2022 Notes prior to July 1, 2017, the Conversion Rate will increase based upon reference to the table set forth in Schedule A of the Indenture. In no event will the Conversion Rate increase to more than 13.4680 shares of common stock per \$1,000 principal amount of 2022 Notes.

If a Fundamental Change (as defined in the Indenture) occurs at any time, then each holder will have the right to require the Company to repurchase all of such holder's 2022 Notes, or any portion thereof that is an integral multiple of \$1,000 principal amount, for cash at a repurchase price of 100% of the principal amount of such 2022 Notes plus any accrued and unpaid interest thereon through, but excluding, the repurchase date. Additionally, on July 1, 2017, each holder will have the right to require the Company to repurchase all of such holder's 2022 Notes, or any portion thereof that is an integral multiple of \$1,000 principal amount, for cash at a repurchase price of 100% of the principal amount of such 2022 Notes plus any accrued and unpaid interest thereon through, but excluding, the repurchase date.

The Company shall have a provisional redemption right ("Provisional Redemption") to redeem, at its option, all or any part of the 2022 Notes at a price payable in cash, beginning on July 1, 2015 and prior to July 1, 2017, provided that the Company's common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day immediately prior to the date of the redemption notice exceeds 150% of the Conversion Price in effect on such trading day. On or after July 1, 2017, the Company shall have an optional redemption right ("Optional Redemption") to redeem, at its option, all or any part of the 2022 Notes at a price payable in cash. The price payable in cash for the Optional Redemption or Provisional Redemption is equal to 100% of the principal amount of 2022 Notes redeemed plus any accrued and unpaid interest thereon through, but excluding, the repurchase date.

If there is an Event of Default (as defined in the Indenture) under the 2022 Notes, the holders of not less than 25% in principal amount of Outstanding Notes (as defined in the Indenture) by notice to the Company and the trustee may, and the trustee at the request of such holders shall, declare the principal amount of all the Outstanding Notes and accrued and unpaid interest thereon to be due and payable immediately. There have been no events of default as of

September 30, 2015.

## 8. Significant Agreements

### Off-Take, Distribution and Marketing Agreements

Off-Take and Marketing Alliance Agreement and Renewable Fuels Supply Chain Agreement with Mansfield Oil Company. In August 2011, the Company entered into a commercial off-take agreement with Mansfield Oil Company (“Mansfield”), to distribute isobutanol-based fuel into the petroleum market. The agreement allows Mansfield to blend the Company’s isobutanol for its own use, and to be a distributor of the Company’s isobutanol for a term of five years. The Company also entered into a three-year supply services agreement, with automatic one-year renewals thereafter, with C&N, a Mansfield subsidiary (“C&N”), which will provide supply chain services including logistics management, customer service support, invoicing and billing services. Since beginning operations of the side-by-side configuration of our plant, the Company has sold marginal amounts of isobutanol, including during the period ended September 30, 2015. No amounts were recorded for the nine months ended September 30, 2015.

18

---



GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Ethanol Marketing Agreement with C&N, a subsidiary of Mansfield Oil Company. Substantially all ethanol sold by Agri-Energy from the date of acquisition through December 31, 2014, and during the nine months ended September 30, 2015 was sold to C&N pursuant to an ethanol purchase and marketing agreement. The ethanol purchase and marketing agreement with C&N was entered into on April 1, 2009 and automatically renews for subsequent one-year terms unless either party terminates the agreement 60 days before the end of a term. Under the terms of the agreement, C&N will market substantially all of Agri-Energy's ethanol production from the Agri-Energy Facility and will pay to Agri-Energy the gross sales price paid by the end customer less expenses and a marketing fee.

Jet Fuel Supply Agreements with the Defense Logistics Agency (U.S. Air Force, U.S. Army and U.S. Navy). During September 2011, the Company was awarded a contract for the procurement of up to 11,000 gallons of alcohol-to-jet (ATJ) fuel for the purposes of certification and testing by the U.S. Air Force. The term of the agreement was through December 30, 2012. In September 2012, the Company was awarded an additional contract by the U.S. Air Force for the procurement of up to 45,000 gallons of biojet fuel. In March 2013, the Company entered into a contract with the Defense Logistics Agency to supply the U.S. Army with 3,650 gallons of biojet fuel and in May 2013 this initial order was increased by 12,500 gallons. In September 2013, the Company entered into a contract with the Defense Logistics Agency to supply the U.S. Navy with 20,000 gallons of biojet fuel. During the nine months ended September 30, 2015, the Company recorded \$1.0 million of revenue associated with shipments of biojet fuel under these contracts. In July 2015, the Company made the final shipment of biojet fuel under its contracts with the Defense Logistics Agency.

#### License Agreements

Patent Cross-License Agreement with Butamax Advanced Biofuels, LLC. On August 22, 2015, the Company entered into a Patent Cross-License Agreement (the "License Agreement") with Butamax Advanced Biofuels, LLC ("Butamax") to license certain patent rights.

Pursuant to the terms of the License Agreement, each party received a non-exclusive license under certain patents and patent applications owned or licensed (and sublicensable) by the other party for the production and use of biocatalysts in the manufacture of isobutanol using certain production process technology for the separation of isobutanol, and to manufacture and sell such isobutanol in any fields relating to the production or use of isobutanol and isobutanol derivatives, subject to the customer-facing field restrictions described below. Each party also received a non-exclusive license to perform research and development on biocatalysts for the production, recovery and use of isobutanol.

Each party may produce and sell up to thirty million gallons of isobutanol per year in any field on a royalty-free basis. Butamax will be the primary customer-facing seller of isobutanol in the field of fuel blending (subject to certain exceptions, the "Direct Fuel Blending" field) and the Company will be the primary customer-facing seller of isobutanol in the field of jet fuel for use in aviation gas turbines (the "Jet" field, also subject to certain exceptions). As such, subject to each party's right to sell up to thirty million gallons of isobutanol per year in any field on a royalty-free basis, the Company will only sell isobutanol through Butamax in the Direct Fuel Blending field subject to a royalty based on the net sales price for each gallon of isobutanol sold or transferred by the Company, its affiliates or sublicensees within the Direct Fuel Blending field (whether through Butamax or not) and on commercially reasonable terms to be negotiated between the parties, and Butamax will only sell isobutanol through the Company in the Jet field subject to a royalty based on the net sales price for each gallon of isobutanol sold or transferred by Butamax, its affiliates or sublicensees within the Jet field (whether through the Company or not) and on commercially reasonable terms to be negotiated between the parties; provided, that each party may sell up to fifteen million gallons of isobutanol in a given year directly to customers in the other party's customer-facing field on a royalty-free basis so long as the isobutanol volumes are within the permitted thirty million gallons of isobutanol sold or otherwise

transferred per year in any field described above and, in certain instances, each party may then sell up to the total permitted thirty million gallons per year in the other party's customer-facing field on a royalty-free basis. In addition, in order to maintain its status as the primary customer-facing seller in these specific fields, each party must meet certain milestones within the first five years of the License Agreement. If such milestones are not met as determined by an arbitration panel, then the other party will have the right to sell directly to customers in the other party's customer-facing field subject to the payment of certain royalties to the other party on such sales.

In addition to the royalties discussed above for sales of isobutanol in the Direct Fuel Blending field, and subject to the Company's right to sell up to thirty million gallons of isobutanol per year in any field on a royalty-free basis, the Company will pay to Butamax a royalty per gallon of isobutanol sold or transferred by the Company, its affiliates or sublicensees within the field of isobutylene applications (other than isobutylene for paraxylene, isooctane, Jet, diesel and oligomerized isobutylene applications). Likewise, in addition to the royalties discussed above for sales of isobutanol in the Jet field, and subject to Butamax's right to sell up to thirty million gallons of isobutanol per year in any field on a royalty-free basis, Butamax will pay to the Company a royalty per gallon of isobutanol sold or transferred by Butamax, its affiliates or sublicensees within the fields of marine gasoline, retail packaged fuels and paraxylene (except for gasoline blending that results in use in marine or other fuel applications). The royalties described

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

above will be due only once for any volume of isobutanol sold or transferred under the License Agreement, and such royalties accrue when such volume of isobutanol is distributed for end use in the particular royalty-bearing field. All sales of isobutanol in other fields will be royalty-free, subject to the potential technology fee described below.

In the event that the Company, its affiliates or sublicensees choose to employ a certain solids separation technology for the production of isobutanol at one of their respective plants, the Company is granted an option to license such technology from Butamax on a non-exclusive basis subject to the payment of a one-time technology license fee based on the rated isobutanol capacity for each such plant (subject to additional fees upon expansion of such capacity). The Company also received the option to obtain an engineering package from Butamax to implement this solids separation technology on commercially reasonable terms to be negotiated between the parties and subject to the technology fee described above and an additional technology licensing fee for use of the solids separation technology applicable to ethanol capacity as provided in such engineering package from Butamax (which capacity is not duplicative of the rated isobutanol capacity referenced above) in instances where Butamax provides an engineering package for use at a particular plant that will run isobutanol and ethanol production side-by-side using the licensed solids separation technology at such plant.

The License Agreement encompasses both parties' patents for producing isobutanol, including biocatalysts and separation technologies, as well as for producing hydrocarbon products derived from isobutanol, including certain improvements and new patent applications filed within seven years of the date of the License Agreement. While the parties have cross-licensed their patents for making and using isobutanol, the parties will not share their own proprietary biocatalysts with each other. The parties may use third parties to manufacture biocatalysts on their behalf and may license their respective technology packages for the production of isobutanol to third parties, subject to certain restrictions. A third party licensee would be granted a sub-license, and would be subject to terms and conditions that are consistent with those under the License Agreement.

Under the License Agreement, the parties have also agreed to certain limitations on the making or participating in a challenge of the other party's patents that are at issue in the Subject Litigation (as defined below). The parties have also made certain representations, warranties and covenants to each other including, without limitation, with respect to obtaining certain consents, indebtedness, rights in the licensed patents, and relationships with certain other ethanol plant process technology providers.

The License Agreement will continue in effect until the expiration of the licensed patents, unless earlier terminated by a party as provided in the License Agreement. The parties also have certain termination rights with respect to the term of the license granted to the other party under the License Agreement upon the occurrence of, among other things, a material uncured breach by the other party. In the event that a party's license is terminated under the License Agreement, such party's sublicense agreements may be assigned to the other party, subject to certain restrictions.

The parties may not assign the License Agreement or any right or obligation thereunder without the prior written consent of the other party. However, the parties may assign the License Agreement to an affiliate or a person that acquires all of the business or assets of such party, subject to certain restrictions.

#### Other Significant Agreements

In May 2015, the Company entered into a strategic alliance agreement with Alaska Airlines. Pursuant to the terms of this agreement, Alaska Airlines agreed to purchase an initial quantity of the Company's renewable jet fuel once ASTM D7655 certification is secured. In the event that the Company does not secure ASTM certification by December 31, 2015, the agreement will automatically terminate unless the Company and Alaska Airlines agree in writing to an extension. The agreement does not obligate Alaska Airlines to purchase any additional quantity of jet fuel in addition

to the amount initially purchased.

In June 2015, Agri-Energy entered into a Price Risk Management, Origination and Merchandising Agreement (the “Origination Agreement”) with FCStone Merchant Services, LLC (“FCStone”) and a Grain Bin Lease Agreement with FCStone (the “Lease Agreement” and, together with the Origination Agreement, the “FCStone Agreements”). Pursuant to the Origination Agreement, FCStone will originate and sell to Agri-Energy, and Agri-Energy will purchase from FCStone, the entire volume of corn grain used by Agri-Energy’s plant in Luverne, Minnesota. The initial term of the Origination Agreement will continue for a period of eighteen months and will automatically renew for additional terms of one year unless Agri-Energy gives notice of non-renewal to FCStone. FCStone will receive an origination fee for purchasing and supplying Agri-Energy with all of the corn used by Agri-Energy’s plant in Luverne, Minnesota. As security for the payment and performance of all indebtedness, liabilities and obligations of Agri-Energy to FCStone, Agri-Energy granted to FCStone a security interest in the corn grain stored in grain storage bins owned and operated by Agri-Energy (“Storage Bins”) and leased to FCStone pursuant to the Lease Agreement. Pursuant to the Lease Agreement, FCStone will lease Storage Bins from Agri-Energy to store the corn grain prior to title of the corn grain transferring to Agri-Energy upon Agri-Energy’s purchase of the corn grain. FCStone agrees to lease Storage Bins sufficient to store 700,000 bushels of corn grain and agrees

## GEVO, INC.

## Notes to Unaudited Consolidated Financial Statements (Continued)

to pay to Agri-Energy \$175,000 per year. The term of the Lease Agreement will run concurrently with the Origination Agreement, and will be extended, terminated, or expire in accordance with the Origination Agreement. The Company also entered into an unsecured guaranty (the “Guaranty”) in favor of FCStone whereby the Company guaranteed the obligations of Agri-Energy to FCStone under the Origination Agreement. The Guaranty shall terminate on the earlier to occur of (i) April 15, 2020 or (ii) termination of the Origination Agreement.

Within its research and development activities, the Company routinely enters into research and license agreements with various entities. Future royalty payments may apply under these license agreements if the technologies are used in future commercial products. In addition, the Company may from time to time make gifts to universities and other organizations to expand research activities in its fields of interest. Any amounts paid under these agreements are generally recorded as research and development expenses as incurred.

The Company has been awarded grants or cooperative agreements from a number of government agencies, including the U.S. Department of Energy, U.S. National Science Foundation, U.S. Environmental Protection Agency, Army Research Labs and the U.S. Department of Agriculture. Revenues recorded related to these grants and cooperative agreements are recorded within grant and other revenue in the Company’s consolidated statements of operations.

## 9. Gevo Development

Gevo, Inc. currently owns 100% of the outstanding equity interests of Gevo Development.

Gevo, Inc. made capital contributions to Gevo Development of \$4.5 million during the nine months ended September 30, 2015 and \$15.2 million during the nine months ended September 30, 2014.

The following table sets forth (in thousands) the net loss incurred by Gevo Development (including Agri-Energy after September 22, 2010, the closing date of the acquisition) which has been fully allocated to Gevo, Inc.’s capital contribution account based upon its capital contributions (for the period prior to September 2010) and 100% ownership (for the period after September 22, 2010).

|                           | Three Months<br>Ended September<br>30,<br>2015 |           | Nine Months<br>Ended September<br>30,<br>2014 |            |
|---------------------------|--|-----------|---|------------|
| Gevo Development Net Loss | \$(3,158)                                      | \$(2,808) | \$(9,608)                                     | \$(12,411) |

The accounts of Agri-Energy are consolidated within Gevo Development as a wholly owned subsidiary which is then consolidated into Gevo, Inc. As of September 30, 2015, Gevo Development does not have any assets that can be used only to settle obligations of Gevo Development. However, as of September 30, 2015, under the terms of the Amended Agri-Energy Loan Agreement with TriplePoint, as amended, subject to certain limited exceptions, Agri-Energy is only permitted to pay dividends if all principal balances due to TriplePoint have been paid.

## 10. Stock-Based Compensation

The Company records expense during the requisite service period for share-based payment awards granted to employees and non-employees.

21

---

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

The following table sets forth the Company's stock-based compensation expense (in thousands) for the periods indicated.

|  | Three Months<br>Ended<br>September 30,<br>2015 |       | Nine Months<br>Ended<br>September 30,<br>2014 |         |
|--|--|-------|---|---------|
| <b>Stock options and employee stock purchase plan awards</b> |  |       |   |         |
| Research and development                                     | \$29   | \$96  | \$103   | \$355   |
| Selling, general and administrative                          | 104  | 225   | 279   | 764     |
| <b>Restricted stock awards</b>                               |  |       |   |         |
| Research and development                                     | 255  | 90    | 436   | 361     |
| Selling, general and administrative                          | 838  | 448   | 1,106   | 882     |
| <b>Restricted stock units</b>                                |  |       |   |         |
| Research and development                                     | 4  | -     | 4   | -       |
| Selling, general and administrative                          | 25   | -     | 25  | -       |
| Total stock-based compensation                               | \$1,255  | \$859 | \$1,953                                       | \$2,362 |

## 11. Commitments and Contingencies

**Legal Matters.** On January 14, 2011, Butamax filed a complaint (the "Complaint") in the United States Court for the District of Delaware (the "Delaware District Court"), as Case No. 1:11-cv-00054-SLR, alleging that the Company was infringing one or more claims made in U.S. Patent No. 7,851,188, entitled "Fermentive Production of Four Carbon Alcohols."

On August 11, 2011, Butamax amended the Complaint to include allegations that the Company was infringing one or more claims made in U.S. Patent No. 7,993,889, also entitled "Fermentive Production of Four Carbon Alcohols."

On March 12, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-00298-SLR, alleging that the Company was infringing one or more claims made in U.S. Patent No. 8,129,162, entitled "Ketol-Acid Reductoisomerase Using NADH."

On May 15, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-00602-SLR, alleging that the Company was infringing one or more claims made in U.S. Patent No. 8,178,328, entitled "Fermentive Production of Four Carbon Alcohols."

On August 6, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-01014-SLR, alleging that the Company was infringing U.S. Patent No. 8,222,017, entitled "Ketol-Acid Reductoisomerase Using NADH."

On August 14, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-01036-SLR, alleging that the Company was infringing U.S. Patent No. 8,241,878, entitled “Recombinant Yeast Host Cell with Fe-S Cluster Proteins and Methods of Using Thereof.”

On September 25, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-01200-SLR, alleging that the Company was infringing U.S. Patent No. 8,273,558, entitled “Fermentive Production of Four Carbon Alcohols.”

On October 8, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-01300-SLR, alleging that the Company was infringing U.S. Patent No. 8,283,144, entitled “Fermentive Production of Four Carbon Alcohols.”

On August 22, 2015, the Company entered into a Settlement Agreement and Mutual Release (the “Settlement Agreement”) with Butamax, E.I. du Pont de Nemours & Company (“DuPont”) and BP Biofuels North America LLC (“BP”) and, together with Butamax and DuPont, the “Butamax Parties”) that resolves the various disputes, lawsuits and other proceedings between one or more of the Butamax Parties and the Company mentioned above, (the “Subject Litigation”), and creates a new business relationship pursuant to which Butamax and the Company have granted rights to each other under certain patents and patent applications in accordance with the terms of the License Agreement which was entered into by the Company and Butamax concurrently with the Settlement Agreement.

Pursuant to the terms of the Settlement Agreement, the parties terminated the Subject Litigation, subject to certain continuing permitted activities, by filing a joint motion of dismissal with prejudice. Upon the parties’ joint request, the Delaware District Court



GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

vacated and withdrew its decisions and orders concerning certain of the parties' substantive motions, specifically the Delaware District Court's Claim Construction Memorandum Opinion and Order in matter 11-54, dated March 19, 2013, and the Delaware District Court's memorandum Opinion and Order dated August 3, 2015 in matters 12-1036, 12-1300 and 12-1200.

The Butamax Parties have also agreed to release, on behalf of themselves and their affiliates, the Company and its affiliates from and against all claims that the Butamax Parties have or may have with respect to any matter arising from or related to the Subject Litigation. Likewise, the Company has agreed to release, on behalf of itself and its affiliates, the Butamax Parties and their affiliates from and against all claims that the Company has or may have with respect to any matter arising from or related to the Subject Litigation.

In addition to the mutual release discussed above, the parties have also agreed to certain limitations on the making or participating in a challenge of the other party's patents that are at issue in the Subject Litigation. The parties have also made certain representations, warranties and covenants to each other including, without limitation, with respect to obtaining certain consents.

The Settlement Agreement will continue in effect until the expiration of the licensed patents, unless earlier terminated by all parties in writing, except that certain obligations under the Settlement Agreement including the mutual release and obligations to pay royalties and other fees under the License Agreement will survive the termination of the Settlement Agreement.

The parties may not assign the Settlement Agreement or any right or obligation thereunder without the prior written consent of the other party. However, the parties may assign the Settlement Agreement to an affiliate or a person that acquires all or substantially all of the business or assets of such party, provided that the assignment includes all patents and patent applications owned by the assigning party that are at issue in the Subject Litigation, subject to certain restrictions.

Indemnifications. In the ordinary course of its business, the Company makes certain indemnities under which it may be required to make payments in relation to certain transactions. As of September 30, 2015 and December 31, 2014, the Company did not have any liabilities associated with indemnities.

The Company, as permitted under Delaware law and in accordance with its amended and restated certificate of incorporation and amended and restated bylaws, indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The duration of these indemnifications, commitments, and guarantees varies and, in certain cases, is indefinite. The maximum amount of potential future indemnification is unlimited; however, the Company has a director and officer insurance policy that may enable it to recover a portion of any future amounts paid. The Company accrues for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable. No such losses have been recorded to date.

Environmental Liabilities. The Company's operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which it operates. These laws require the Company to investigate and remediate the effects of the release or disposal of materials at its locations. Accordingly, the Company has adopted policies, practices and procedures in the areas of pollution control, occupational health and the production, handling, storage and use of hazardous materials to prevent material environmental or other damage, and to limit the financial liability which could result from such events. Environmental liabilities are recorded when the Company's liability is probable and the costs can be reasonably estimated. No environmental liabilities have been recorded as of September 30, 2015 or as of December 31, 2014.

## 12. Fair Value Measurements

Accounting standards define fair value, outline a framework for measuring fair value, and detail the required disclosures about fair value measurements. Under these standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. Standards establish a hierarchy in determining the fair market value of an asset or liability. The fair value hierarchy has three levels of inputs, both observable and unobservable. Standards require the utilization of the highest possible level of input to determine fair value.

Level 1 – inputs include quoted market prices in an active market for identical assets or liabilities.

Level 2 – inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data.

Level 3 – inputs are unobservable and corroborated by little or no market data.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

**Inventories.** The Company records its inventory, primarily corn inventory, at fair value only when the Company's cost of corn purchased exceeds the market value for corn. The Company determines the market value of corn based upon Level 1 inputs using quoted market prices. The Company incurred a write-down of inventory of \$0.1 million and \$0.2 million during the nine months ended September 30, 2015 and September 30, 2014, respectively.

**Secured Debt.** The Company has estimated the fair value of its secured debt obligations based upon discounted cash flows with Level 3 inputs, such as the terms that management believes would currently be available to the Company for similar issues of debt, taking into account the current credit risk of the Company and other market factors.

**2017 Notes.** The Company has estimated the fair value of the 2017 Notes, to be \$21.9 million and \$25.5 million at September 30, 2015 and December 31, 2014, respectively, based upon Level 2 inputs, including the market price of the Company's common stock. The Company has valued the 2017 Notes and all of its components using the fair value option as there are no embedded instruments which qualify for equity presentation. See Note 7 for the fair value inputs used to estimate the fair value of the 2017 Notes. On the date of issuance in May 2014, the 2017 Notes were a term loan and recorded at fair value.

**2022 Notes Embedded Derivative.** The Company has estimated the fair value of the 2022 Notes, including the embedded derivative, to be \$15.2 million and \$19.4 million at September 30, 2015 and December 31, 2014, respectively, based upon Level 2 inputs, including the market price of the 2022 Notes derived from actual trades of the 2022 Notes. The Company has estimated the fair value of the embedded derivative on a stand-alone basis to be \$0.0 million at September 30, 2015 and December 31, 2014, based upon Level 2 inputs. See Note 5 above for the fair value inputs used to estimate the fair value of the 2022 Notes with and without the embedded derivative and the fair value of the embedded derivative.

**Derivative Warrant Liability.** In December 2013, the Company issued 2013 Warrants to purchase 1,420,250 shares of the Company's common stock. Based on the terms of the 2013 Warrants, the Company determined that the 2013 Warrants qualify as a derivative and, as such, are presented as a derivative warrant liability on the consolidated balance sheets and recorded at fair value each reporting period. The Company determined the estimated fair value of the 2013 Warrants as of December 31, 2014 to be \$1.4 million based upon Level 3 inputs, utilizing an analysis of actual historical market trades of the 2013 Warrants and the Black Scholes model. The Company determined the estimated fair value of the 2013 Warrants as of September 30, 2015 to be \$0.6 million based upon Level 3 inputs utilizing an analysis of actual historical market trades of the 2013 Warrants and the Black Scholes model.

In August of 2014, the Company issued 2014 Warrants to purchase 1,000,000 shares of the Company's common stock. Based on the terms of the 2014 Warrants, the Company determined that the 2014 Warrants qualify as a derivative and, as such, are presented as a derivative warrant liability on the consolidated balance sheets and recorded at fair value each reporting period. The Company determined the estimated fair value of the 2014 Warrants as of September 30, 2015 to be \$0.3 million based upon Level 3 inputs utilizing an analysis of actual historical market trades of the 2014 Warrants and the Black Scholes model. The Company relied on Level 3 inputs for estimating the fair value of the 2014 Warrants as of September 30, 2015 due to the lack of market trades of the 2014 Warrants on September 30, 2015.

In February of 2015, the Company issued 2015 Series A Warrants to purchase 2,216,667 shares of the Company's common stock. Based on the terms of the 2015 Series A Warrants, the Company determined that the 2015 Series A Warrants qualify as a derivative and, as such, are presented as a derivative warrant liability on the consolidated balance sheets and recorded at fair value each reporting period. The Company determined the estimated fair value of the 2015 Series A Warrants at the issuance date of February 3, 2015 to be \$1.4 million and as of September 30, 2015 to be \$2.0 million based upon Level 3 inputs utilizing an analysis of actual historical market trades of the 2015 Series

A Warrants and the Black Scholes model. The Company relied on Level 3 inputs for estimating the fair value of the 2015 Series A Warrants as of February 3, 2015 and September 30, 2015 due to the lack of market trades of the 2015 Series A Warrants around those respective dates.

In February of 2015, the Company issued 2015 Series B Warrants to purchase 2,216,667 shares of the Company's common stock. Based on the terms of the 2015 Series B Warrants, the Company determined that the 2015 Series B Warrants qualify as a derivative and, as such, are presented as a derivative warrant liability on the consolidated balance sheets and recorded at fair value each reporting period. The Company determined the estimated fair value of the 2015 Series B Warrants at the issuance date of February 3, 2015 to be \$2.5 million based upon Level 3 inputs and as of September 30, 2015 to be \$0.0 million as the Series B Warrants expired on August 3, 2015.

In May of 2015, the Company issued 2015 Series C Warrants to purchase 430,000 shares of the Company's common stock. Based on the terms of the 2015 Series C Warrants, the Company determined that the 2015 Series C Warrants qualify as a derivative and, as such, are presented as derivative warrant liability on the consolidated balance sheets and recorded at fair value each reporting period. The Company determined the estimated fair value of the 2015 Series C Warrants at the issuance date of May 19,

## GEVO, INC.

## Notes to Unaudited Consolidated Financial Statements (Continued)

2015 to be \$1.2 million and as of September 30, 2015 to be \$0.5 million based upon Level 3 inputs utilizing an analysis of actual historical market trades of the 2015 Series C Warrants and the Black Scholes model. The Company relied on Level 3 inputs for estimating the fair value of the 2015 Series C Warrants as of May 19, 2015 and September 30, 2015 due to the lack of market trades of the 2015 Series C Warrants around those respective dates.

While the Company believes that its valuation methods are appropriate and consistent with other market participants, it recognizes that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

## 13. Information on Business Segments

The Company's chief operating decision maker is provided with and reviews the financial results of each of the Company's consolidated legal entities, Gevo, Gevo Development, and Agri-Energy. The Company organizes its business segments based on the nature of the products and services offered through each of the Company's consolidated legal entities. All revenue is earned, and all assets are held, in the U.S.

The financial results of Gevo Development and Agri-Energy have been aggregated in the following table as this segment has historically been responsible for the production of ethanol and related products and will be responsible for the production of isobutanol and related products.

|                                | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|--------------------------------|-------------------------------------|-----------|------------------------------------|------------|
|                                | 2015                                | 2014      | 2015                               | 2014       |
| <b>Revenues:</b>               |                                     |           |                                    |            |
| Gevo                           | \$423                               | \$ 944    | \$2,193                            | \$4,046    |
| Gevo Development / Agri-Energy | 7,594                               | 9,197     | 20,647                             | 14,719     |
| Consolidated                   | \$8,017                             | \$ 10,141 | \$22,840                           | \$18,765   |
| <b>Loss from operations:</b>   |                                     |           |                                    |            |
| Gevo                           | \$(6,109)                           | \$(6,133) | \$(15,773)                         | \$(19,966) |
| Gevo Development / Agri-Energy | (3,165)                             | (2,779)   | (9,568)                            | (10,900)   |
| Consolidated                   | \$(9,274)                           | \$(8,912) | \$(25,341)                         | \$(30,866) |
| <b>Interest expense:</b>       |                                     |           |                                    |            |
| Gevo                           | \$2,098                             | \$ 2,558  | \$6,109                            | \$8,471    |
| Gevo Development / Agri-Energy | 23                                  | 40        | 77                                 | 1,522      |
| Consolidated                   | \$2,121                             | \$ 2,598  | \$6,186                            | \$9,993    |
| <b>Depreciation expense:</b>   |                                     |           |                                    |            |
| Gevo                           | \$196                               | \$ 236    | \$609                              | \$716      |
| Gevo Development / Agri-Energy | 1,420                               | 1,374     | 4,288                              | 2,498      |
| Consolidated                   | \$1,616                             | \$ 1,610  | \$4,897                            | \$3,214    |

|  |      |        |       |         |
|--|------|--------|-------|---------|
| Acquisitions of plant, property and equipment: |      |        |       |         |
| Gevo   | \$-  | \$ 27  | \$2   | \$76    |
| Gevo Development / Agri-Energy                 | 96   | 689    | 269   | 4,477   |
| Consolidated                                   | \$96 | \$ 716 | \$271 | \$4,553 |

|                                |            |               |              |
|--------------------------------|------------|---------------|--------------|
|                                |            | September 30, | December 31, |
|                                |            | 2015          | 2014         |
| Total assets:                  |            |               |              |
| Gevo                           | \$98,983   | \$ 95,680     |              |
| Gevo Development / Agri-Energy | 156,372    | 49,961        |              |
| Intercompany eliminations      | (154,402)  | (46,713)      | )            |
| Consolidated                   | \$ 100,953 | \$ 98,928     |              |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Forward-Looking Statements

This report contains forward-looking statements. When used anywhere in this Quarterly Report on Form 10-Q (this "Report"), the words "expect," "believe," "anticipate," "estimate," "intend," "plan" and similar expressions are intended to identify forward-looking statements. These statements relate to future events or our future financial or operational performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Such risks and uncertainties include those related to the achievement of advances in our technology platform, the success of our retrofit production model, our ability to gain market acceptance for our products, additional competition, changes in economic conditions and those described in documents we have filed with the Securities and Exchange Commission (the "SEC"), including this Report in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors," our Annual Report on Form 10-K for the year ended December 31, 2014, as amended (our "Annual Report"), and other reports that we have filed with the SEC. All forward-looking statements in this document are qualified entirely by the cautionary statements included in this document and such other filings. These risks and uncertainties could cause actual results to differ materially from results expressed or implied by forward-looking statements contained in this document. These forward-looking statements speak only as of the date of this document. We disclaim any undertaking to publicly update or revise any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Unless the context requires otherwise, in this Report the terms "we," "us," "our" and the "Company" refer to Gevo, Inc. and its wholly owned or indirect subsidiaries, and their predecessors.

The following discussion should be read in conjunction with our unaudited consolidated financial statements and the related notes and other financial information appearing elsewhere in this Report. Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including, without limitation, the disclosures in our Annual Report.

### Company Overview

We are a renewable chemicals and next generation biofuels company. Our strategy is to commercialize biobased alternatives to petroleum-based products to allow for the optimization of fermentation facilities' assets, with the ultimate goal of maximizing cash flows from the operation of those assets. We have developed proprietary technology that uses a combination of synthetic biology, metabolic engineering, chemistry and chemical engineering to focus primarily on the production of isobutanol, as well as related products from renewable feedstock. Isobutanol is a four-carbon alcohol that can be sold directly for use as a specialty chemical in the production of solvents, paints and coatings or as a value-added gasoline blendstock. Isobutanol can also be converted into butenes using dehydration chemistry deployed in the refining and petrochemicals industries today. The convertibility of isobutanol into butenes is important because butenes are primary hydrocarbon building blocks used in the production of hydrocarbon fuels, lubricants, polyester, rubber, plastics, fibers and other polymers.

We believe that products derived from our isobutanol will be drop-in products, which means that our customers will be able to replace petroleum-based intermediate products with renewable isobutanol-based intermediate products without modification to their equipment or production processes. The final products produced from our renewable isobutanol-based intermediate products should be chemically and physically identical to those produced from petroleum-based intermediate products, except that they will contain carbon from renewable sources. Customer interest in our renewable isobutanol is primarily driven by our production route, which we believe will be

cost-efficient, and our renewable isobutanol's potential to serve as a cost-effective, environmentally sensitive alternative to the petroleum-based intermediate products that they currently use. We believe that at every step of the value chain, renewable products that are chemically identical to the incumbent petrochemical products will have lower market adoption hurdles in contrast with other bioindustrial products because the infrastructure and applications for such products already exist. In addition, we believe that products made from biobased isobutanol will be subject to less raw material cost volatility than the petroleum-based products in use today because of the lower historical cost volatility of agricultural feedstocks compared to oil.

In order to produce and sell isobutanol made from renewable sources, we have developed the Gevo Integrated Fermentation Technology<sup>®</sup> ("GIFT<sup>®</sup>"), an integrated technology platform for the efficient production and separation of renewable isobutanol. GIFT<sup>®</sup> consists of two components, proprietary biocatalysts that convert sugars derived from multiple renewable feedstocks into isobutanol through fermentation, and a proprietary separation unit that is designed to continuously separate isobutanol during the fermentation process. We developed our technology platform to be compatible with the existing approximately 23 billion gallons per year of global operating ethanol production capacity, as estimated by the Renewable Fuels Association.

GIFT<sup>®</sup> is designed to permit (i) the retrofit of existing ethanol capacity to produce isobutanol, ethanol or both products simultaneously, or (ii) the addition of renewable isobutanol or ethanol production capabilities to a facility's existing ethanol



production by adding additional fermentation capacity side-by-side with the facility's existing ethanol fermentation capacity (collectively referred to as "Retrofit"). Having the flexibility to switch between the production of isobutanol and ethanol, or produce both products simultaneously, should allow us to optimize asset utilization and cash flows at a facility by taking advantage of fluctuations in market conditions. GIFT® is also designed to allow relatively low capital expenditure Retrofits of existing ethanol facilities, enabling a potentially rapid route to isobutanol production from the fermentation of renewable feedstocks. We believe that our production route will be cost-efficient and will enable rapid deployment of our technology platform and allow our isobutanol and related renewable products to be economically competitive with many of the petroleum-based products used in the chemicals and fuels markets today.

We expect that the combination of our efficient proprietary technology, our marketing focus on providing drop-in substitutes for incumbent petrochemical products and our relatively low capital investment Retrofits will mitigate many of the historical issues associated with the commercialization of renewable chemicals and fuels.

### Financial Condition

For the three and nine months ended September 30, 2015, we incurred a consolidated net loss of \$6.5 million and \$28.2 million respectively, and had an accumulated deficit of \$331.5 million at September 30, 2015. Our cash and cash equivalents at September 30, 2015 totaled \$16.2 million which will be used for the following: (i) operating activities of our plant located in Luverne, Minnesota ("Agri-Energy Facility"); (ii) operating activities at our corporate headquarters in Colorado, including research and development work; (iii) capital improvements primarily associated with the Agri-Energy Facility; (iv) costs associated with optimizing isobutanol production technology; and (v) debt service obligations. We expect to incur future net losses as we continue to fund the development and commercialization of our product candidates. Our transition to profitability is dependent upon, among other things, the successful development and commercialization of our product candidates and the achievement of a level of revenues adequate to support our existing cost structure. We may never achieve profitability or generate positive cash flows, and unless and until we do, we will continue to need to raise additional cash. We intend to fund future operations through additional private and/or public offerings of debt or equity securities. In addition, we may seek additional capital through arrangements with strategic partners or from other sources, may seek to restructure our debt and we will continue to address the Company's cost structure. Notwithstanding, there can be no assurance that we will be able to raise additional funds, or achieve or sustain profitability or positive cash flows from operations. These conditions raise substantial doubt about our ability to continue as a going concern.

### Reverse Stock Split

On April 15, 2015, our Board of Directors approved a reverse split of our common stock, par value \$0.01, at a ratio of one-for-fifteen. This reverse stock split became effective on April 20, 2015 and, unless otherwise indicated, all share amounts. Per share data, share prices, exercise prices and conversion rates set forth in this Report and the accompanying consolidated financial statements have, where applicable, been adjusted retroactively to reflect this reverse stock split.

### Agri-Energy

In September 2010, we acquired the Agri-Energy Facility which we have Retrofitted for the production of isobutanol. As of September 30, 2015, we have incurred capital costs of approximately \$65.5 million on the Retrofit of the Agri-Energy Facility. The Retrofit of the Agri-Energy Facility includes a number of additional capital costs that are unique to the design of the facility, including additional equipment that we believe will allow us to switch between ethanol and isobutanol production, or produce both products simultaneously, modifications to increase the potential production capacity of GIFT® at the Agri-Energy Facility and the establishment of an enhanced yeast seed train to accelerate the adoption of improved yeast at the Agri-Energy Facility and at future plants. Capital expenditures at the

Agri-Energy Facility also include upfront design and engineering costs, plant modifications identified as necessary during initial startup operations for the production of isobutanol as well as capitalized interest. In May 2012, we commenced initial startup operations for the production of isobutanol at the Agri-Energy Facility. In September 2012, as a result of a lower than planned production rate of isobutanol we made the strategic decision to pause isobutanol production at the Agri-Energy Facility at the conclusion of startup operations to focus on optimizing specific parts of the process to further enhance isobutanol production rates. In 2013, we modified our Agri-Energy Facility in order to increase the isobutanol production rate. In June 2013, we resumed the limited production of isobutanol operating one fermenter and one GIFT<sup>®</sup> separation system in order to (i) verify that the modifications had significantly reduced the previously identified infections, (ii) demonstrate that our biocatalyst performs in the one million liter fermenters at the Agri-Energy Facility, and (iii) confirm GIFT<sup>®</sup> efficacy at commercial scale at the Agri-Energy Facility. In August 2013, we expanded production capacity at the Agri-Energy Facility by adding a second fermenter and second GIFT<sup>®</sup> system to further verify our results with a second configuration of equipment. For these initial production runs, we demonstrated fermentation operations at commercial scale combined with the use of our GIFT<sup>®</sup> separation system using a dextrose (sugar) feedstock. Based on the results of these initial production runs, in October 2013 we began commissioning the Agri-Energy Facility on corn mash to test isobutanol production run rates and to optimize biocatalyst production, fermentation separation and water management systems. In March 2014, we decided to leverage the flexibility of our GIFT<sup>®</sup> technology and further modify the Agri-Energy Facility to enable the

simultaneous production of isobutanol and ethanol. In July 2014, we began more consistent co-production of isobutanol and ethanol at the Agri-Energy Facility, with one fermenter utilized for isobutanol production and three fermenters utilized for ethanol production. In line with our strategy to maximize asset utilization and site cash flows, this configuration of the plant should allow it to continue to optimize its isobutanol technology at a commercial scale, while taking advantage of positive ethanol contribution margins currently available in the marketplace. Also, with a view to maximizing site cash flows, over certain periods of time, we may and have operated the plant for the sole production of ethanol across all four fermenters.

Until May 2012, when we commenced initial Retrofit startup operations for the production of isobutanol at the Agri-Energy Facility, we derived revenue from the sale of ethanol, distiller's grains and other related products produced as part of the ethanol production process at the Agri-Energy Facility. Continued ethanol production during the Retrofit process allowed us to retain local staff for the future operation of the plant, maintain the equipment and generate cash flow. However, the continued production of ethanol alone is not our intended business and our strategy is expected to depend on our ability to produce and market isobutanol and products derived from isobutanol. Following the commencement of full-scale commercial production of isobutanol, we may not generate significant future revenues from the sale of ethanol produced at the Agri-Energy Facility. Accordingly, the historical operating results of our subsidiary, Agri-Energy, LLC ("Agri-Energy") and the operating results reported during the Retrofit to isobutanol production may not be indicative of future operating results for Agri-Energy or the Company once full-scale commercial production of isobutanol commences at the Agri-Energy Facility.

#### Redfield Energy, LLC

In June 2011, we entered into an isobutanol joint venture agreement (the "Joint Venture Agreement") with Redfield and executed the second amended and restated operating agreement of Redfield (together with the Joint Venture Agreement, the "Joint Venture Documents"). Under the terms of the Joint Venture Documents, we agreed to work with Redfield to Retrofit Redfield's approximately 50 million gallon per year ("MGPY") ethanol production facility located near Redfield, South Dakota (the "Redfield Facility") for the commercial production of isobutanol. Under the terms of the Joint Venture Agreement, Redfield has issued 100 Class G membership units in Redfield (the "Class G Units") to our wholly-owned subsidiary, Gevo Development. Gevo Development is the sole holder of Class G Units, which entitles Gevo Development to certain information and governance rights with respect to Redfield, including the right to appoint two members of Redfield's 11-member board of managers. The Class G Units currently carry no interest in the allocation of profits, losses or other distributions of Redfield and no voting rights. According to the terms of the Joint Venture Agreement, such rights will vest upon the commencement of commercial isobutanol production at the Redfield Facility, at which time we anticipate that commercial isobutanol production will become the most significant activity for the entity and, as a result, that consolidation of Redfield's operation will be possible.

We will be responsible for all costs associated with the Retrofit of the Redfield Facility. Redfield will remain responsible for certain expenses relating to the Redfield Facility, including certain repair and maintenance expenses and any costs necessary to ensure that the facility is in compliance with applicable environmental laws. We anticipate that the Redfield Facility will continue its current ethanol production activities during much of the Retrofit. Following installation of the Retrofit assets, the ethanol production operations will be suspended to begin to enable testing of the isobutanol production capabilities if the facility (the "Performance Testing Phase"). Under the terms of the Joint Venture Agreement, during the Performance Testing Phase, we will be entitled to receive all revenue generated by the Redfield Facility and are obligated to make Facility Payments (as defined in the Joint Venture Agreement) to Redfield which payments include the costs incurred by Redfield to operate the Redfield Facility plus the profits, if any, that Redfield would have received if the facility had been producing ethanol during that period. We have also agreed to maintain an escrow fund during the Performance Testing Phase as security for our obligation to make the Facility Payments.

If certain conditions are met, commercial production of isobutanol at the Redfield Facility will begin upon the earlier of the date upon which certain production targets have been met or the date upon which the parties mutually agree that commercial isobutanol production at the Redfield Facility will be commercially viable at the then-current production rate. At that time, (i) we will have the right to appoint a total of four members to Redfield's 11-member board of managers, and (ii) the voting and economic interests of the Class G Units will vest and, as a result, Gevo Development, as the sole holder of the Class G Units, will be entitled to a percentage of Redfield's profits, losses and distributions, to be calculated based upon the demonstrated isobutanol production capabilities of the Redfield Facility.

The Joint Venture Agreement further provides that Gevo Development (or one of its affiliates) will be the exclusive marketer of all products produced by the Redfield Facility once commercial production of isobutanol at the Redfield Facility has begun. We have agreed to license the technology necessary to produce isobutanol at the Redfield Facility to Redfield, subject to the continuation of the marketing arrangement described above. In the event that the isobutanol production technology fails or Redfield is permanently prohibited from using such technology, Gevo Development has agreed to forfeit the Class G Units and lose the value of our investment in Redfield.

Gevo, Inc. entered into a guaranty effective June 2011, pursuant to which it has unconditionally and irrevocably guaranteed the payment by Gevo Development of any and all amounts owed by Gevo Development pursuant to the terms and conditions of the Joint Venture Agreement and certain other agreements that Gevo Development and Redfield expect to enter into in connection with the Retrofit of the Redfield Facility.

As of September 30, 2015, we have incurred \$0.4 million in project engineering and permitting process costs for the future Retrofit of the Redfield Facility, which have been recorded on our balance sheets in deposits and other assets. Based on estimates from our preliminary engineering process, we will need to raise additional debt or equity capital, which we may be unable to do on reasonable terms or at all, in order to complete the Retrofit of the Redfield Facility.

#### Cargill, Incorporated

During February 2009, we entered into a license agreement with Cargill, Incorporated (“Cargill”) to obtain certain biological materials and license patent rights to use a yeast biocatalyst owned by Cargill. Under the agreement, Cargill has granted us an exclusive, royalty-bearing license, with limited rights to sublicense, to use the patent rights in a certain field, as defined in the agreement. The agreement contains five milestone payments totaling approximately \$4.3 million that are payable by the Company after each milestone is completed.

During 2009, two milestones were completed and we recorded the related milestone amounts, along with an up-front signing fee, totaling \$0.9 million, to research and development expense. During March 2010, we completed milestone number three and recorded the related milestone amount of \$2.0 million to research and development expense at its then-current present value of \$1.6 million because the milestone payment was paid over a period greater than twelve months from the date that it was incurred. At December 2012, we had not completed milestone number four. Accordingly, we paid a \$0.5 million license fee which satisfied the terms of milestone number four under the agreement. This fee was paid in March 2013 through the issuance of 16,667 shares of our common stock to Cargill. Milestone number five included in the license agreement representing potential payments of up to \$1.0 million, which is due by December 2015, has not been met as of September 30, 2015 and no amount has been recorded as a liability for this milestone.

Upon commercialization of a product which uses Cargill’s biological material or is otherwise covered by the patent rights under the license agreement, a royalty based on net sales is payable by us, subject to a minimum royalty amount per year, as defined in the agreement, and up to a maximum amount per year.

The license agreement provides an option for Cargill to purchase a nonexclusive, royalty-bearing license for the use of our biocatalyst that utilizes the Cargill biological material or licensed patents for a royalty rate equal to the lowest rate offered to any third party.

We may terminate this agreement at any time upon 90 days’ prior written notice. Unless terminated earlier, the agreement remains in effect until the later of December 31, 2025 and the date that no licensed patent rights remain.

#### Toray Industries, Inc.

In June 2011, we announced that we had successfully produced fully renewable and recyclable polyethylene terephthalate (“PET”) in cooperation with Toray Industries. Working directly with Toray Industries, we employed prototypes of commercial operations from the petrochemical and refining industries to make PX from isobutanol. Toray Industries used our bio-PX and commercially available renewable mono ethylene glycol to produce fully renewable PET films and fibers. In June 2012, we entered into a definitive agreement with Toray Industries, as amended in October 2013, for the joint development of an integrated supply chain for the production of bio-PET. Pursuant to the terms of the agreement with Toray Industries, we received \$1.0 million which we used for the design

and construction of a demonstration plant. In May 2014, we successfully shipped the requisite volumes of bio-PX associated with our contract with Toray Industries and, as a result, we recognized the \$1.0 million, as well as revenue associated with the sale of the bio-PX, as a component of hydrocarbon revenue during the second quarter of 2014.

Butamax Advanced Biofuels, LLC.

On August 22, 2015, the Company entered into a Patent Cross-License Agreement (the “License Agreement”) with Butamax Advanced Biofuels, LLC (“Butamax”) to license certain patent rights.

Pursuant to the terms of the License Agreement, each party received a non-exclusive license under certain patents and patent applications owned or licensed (and sublicensable) by the other party for the production and use of biocatalysts in the manufacture of isobutanol using certain production process technology for the separation of isobutanol, and to manufacture and sell such isobutanol in

any fields relating to the production or use of isobutanol and isobutanol derivatives, subject to the customer-facing field restrictions described below. Each party also received a nonexclusive license to perform research and development on biocatalysts for the production, recovery and use of isobutanol.

Each party may produce and sell up to thirty million gallons of isobutanol per year in any field on a royalty-free basis. Butamax will be the primary customer-facing seller of isobutanol in the field of fuel blending (subject to certain exceptions, the “Direct Fuel Blending” field) and the Company will be the primary customer-facing seller of isobutanol in the field of jet fuel for use in aviation gas turbines (the “Jet” field, also subject to certain exceptions). As such, subject to the each party’s right to sell up to thirty million gallons of isobutanol per year in any field on a royalty-free basis, the Company will only sell isobutanol through Butamax in the Direct Fuel Blending field subject to a royalty based on the net sales price for each gallon of isobutanol sold or transferred by the Company, its affiliates or sublicensees within the Direct Fuel Blending field (whether through Butamax or not) and on commercially reasonable terms to be negotiated between the parties and Butamax will only sell isobutanol through the Company in the Jet field subject to a royalty based on the net sales price for each gallon of isobutanol sold or transferred by Butamax, its affiliates or sublicensees within the Jet field (whether through the Company or not) and on commercially reasonable terms to be negotiated between the parties; provided, that each party may sell up to fifteen million gallons of isobutanol in a given year directly to customers in the other party’s customer-facing field on a royalty-free basis so long as the isobutanol volumes are within the permitted thirty million gallons of isobutanol sold or otherwise transferred per year in any field described above and, in certain instances, each party may then sell up to the total permitted thirty million gallons per year in the other party’s customer-facing field on a royalty-free basis. In addition, in order to maintain its status as the primary customer-facing seller in these specific fields, each party must meet certain milestones within the first five years of the License Agreement. If such milestones are not met as determined by an arbitration panel, then the other party will have the right to sell directly to customers in the other party’s customer-facing field subject to the payment of certain royalties to the other party on such sales.

In addition to the royalties discussed above for sales of isobutanol in the Direct Fuel Blending field, and subject to the Company’s right to sell up to thirty million gallons of isobutanol per year in any field on a royalty-free basis, the Company will pay to Butamax a royalty per gallon of isobutanol sold or transferred by the Company, its affiliates or sublicensees within the field of isobutylene applications (other than isobutylene for paraxylene, isooctane, Jet, diesel and oligomerized isobutylene applications). Likewise, in addition to the royalties discussed above for sales of isobutanol in the Jet field, and subject to Butamax’s right to sell up to thirty million gallons of isobutanol per year in any field on a royalty-free basis, Butamax will pay to the Company a royalty per gallon of isobutanol sold or transferred by Butamax, its affiliates or sublicensees within the fields of marine gasoline, retail packaged fuels and paraxylene (except for gasoline blending that results in use in marine or other fuel applications). The royalties described above will be due only once for any volume of isobutanol sold or transferred under the License Agreement, and such royalties accrue when such volume of isobutanol is distributed for end use in the particular royalty-bearing field. All sales of isobutanol in other fields will be royalty-free, subject to the potential technology fee described below.

In the event that the Company, its affiliates or sublicensees choose to employ a certain solids separation technology for the production of isobutanol at one of their respective plants, the Company is granted an option to license such technology from Butamax on a non-exclusive basis subject to the payment of a one-time technology license fee based on the rated isobutanol capacity for each such plant (subject to additional fees upon expansion of such capacity). The Company also received the option to obtain an engineering package from Butamax to implement this solids separation technology on commercially reasonable terms to be negotiated between the parties and subject to the technology fee described above and an additional technology licensing fee for use of the solids separation technology applicable to ethanol capacity as provided in such engineering package from Butamax (which capacity is not duplicative of the rated isobutanol capacity referenced above) in instances where Butamax provides an engineering package for use at a particular plant that will run isobutanol and ethanol production side-by-side using the licensed solids separation

technology at such plant.

The License Agreement encompasses both parties' patents for producing isobutanol, including biocatalysts and separation technologies, as well as for producing hydrocarbon products derived from isobutanol, including certain improvements and new patent applications filed within seven years of the date of the License Agreement. While the parties have cross-licensed their patents for making and using isobutanol, the parties will not share their own proprietary biocatalysts with each other. The parties may use third parties to manufacture biocatalysts on their behalf and may license their respective technology packages for the production of isobutanol to third parties, subject to certain restrictions. A third party licensee would be granted a sub-license, and would be subject to terms and conditions that are consistent with those under the License Agreement.

Under the License Agreement, the parties have also agreed to certain limitations on the making or participating in a challenge of the other party's patents that are at issue in the Subject Litigation (as defined below). The parties have also made certain representations, warranties and covenants to each other including, without limitation, with respect to obtaining certain consents, indebtedness, rights in the licensed patents, and relationships with certain other ethanol plant process technology providers.

30

---



The License Agreement will continue in effect until the expiration of the licensed patents, unless earlier terminated by a party as provided in the License Agreement. The parties also have certain termination rights with respect to the term of the license granted to the other party under the License Agreement upon the occurrence of, among other things, a material uncured breach by the other party. In the event that a party's license is terminated under the License Agreement, such party's sublicense agreements may be assigned to the other party, subject to certain restrictions.

The parties may not assign the License Agreement or any right or obligation thereunder without the prior written consent of the other party. However, the parties may assign the License Agreement to an affiliate or a person that acquires all of the business or assets of such party, subject to certain restrictions.

#### Critical Accounting Policies and Estimates

Our unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. ("GAAP") and include our accounts and the accounts of our wholly owned subsidiaries, Gevo Development, LLC ("Gevo Development") and Agri-Energy. The preparation of our unaudited consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates, assumptions and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Different assumptions and judgments would change the estimates used in the preparation of our unaudited consolidated financial statements, which, in turn, could change the results from those reported. Our management evaluates its estimates, assumptions and judgments on an ongoing basis.

The accounting policies and estimates, which we believe are critical and require the use of complex judgment in their application, are those related to: (i) accounting for convertible debt and embedded derivatives; (ii) derivative warrant liability; (iii) impairment of property, plant and equipment; (iv) stock-based compensation; (v) revenue recognition and (vi) debt fair value accounting. Critical accounting estimates and policies have not changed from those reported under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report.

#### Revenues, Cost of Goods Sold and Operating Expenses

##### Revenues

During the three and nine months ended September 30, 2015 and 2014, we generated revenue from: (i) the sale of ethanol and related products; (ii) hydrocarbon sales consisting primarily of the sale of biojet fuel, isoctane and bio-paraxylene ("bio-PX") derived from our isobutanol; and (iii) government grants and research and development programs.

##### Cost of Goods Sold and Gross Loss

Cost of goods sold during the three and nine months ended September 30, 2015 and 2014 primarily includes costs directly associated with ethanol and isobutanol production at the Agri-Energy Facility such as costs for direct materials, direct labor, depreciation, other operating costs and certain plant overhead costs. Direct materials include corn feedstock, yeast, denaturant and process chemicals. Direct labor includes compensation of personnel directly involved in production operations at the Agri-Energy Facility. Other operating costs include utilities and natural gas usage. We periodically enter into forward purchase contracts and exchange-traded futures contracts associated with corn and natural gas. No such contracts were entered into during 2015. Accordingly, our cost of goods sold may also include gains or losses and/or changes in fair value from our forward purchase contracts and exchange-traded futures

contracts.

#### Research and Development

Our research and development costs consist of expenses incurred to identify, develop and test our technologies for the production of isobutanol and the development of downstream applications thereof. Research and development expenses include personnel costs (including stock-based compensation), consultants and related contract research, facility costs, supplies, depreciation and amortization expense on property, plant and equipment used in product development, license fees paid to third parties for use of their intellectual property and patent rights and other overhead expenses incurred to support our research and development programs. Research and development expenses also include upfront fees and milestone payments made under licensing agreements and payments for sponsored research and university research gifts to support research at academic institutions.

31

---

## Selling, General and Administrative

Selling, general and administrative expenses consist of personnel costs (including stock-based compensation), consulting and service provider expenses (including patent counsel-related costs), legal fees, marketing costs, corporate insurance costs, occupancy-related costs, depreciation and amortization expenses on property, plant and equipment not used in our product development programs or recorded in cost of goods sold, travel and relocation and hiring expenses.

We also record selling, general and administrative expenses for the operations of the Agri-Energy Facility that include administrative and oversight expenses, certain personnel-related expenses, insurance and other operating expenses.

## Results of Operations

Comparison of the three months ended September 30, 2015 and 2014 (in thousands)

|  | Three Months Ended September 30, |           |           |
|--|----------------------------------|-----------|-----------|
|  | 2015                             | 2014      | Change    |
| Revenue and cost of goods sold   |                                  |           |           |
| Ethanol sales and related products, net                                  | \$ 7,551                         | \$ 9,197  | \$(1,646) |
| Hydrocarbon revenue  | 192                              | 778       | (586 )    |
| Grant and other revenue  | 274                              | 166       | 108       |
| Total revenues   | 8,017                            | 10,141    | (2,124)   |
| Cost of goods sold   | 10,629                           | 11,760    | (1,131)   |
| Gross loss   | (2,612 )                         | (1,619 )  | (993 )    |
| Operating expenses   |                                  |           |           |
| Research and development expense   | 1,527                            | 3,723     | (2,196)   |
| Selling, general, and administrative expense                             | 5,135                            | 3,570     | 1,565     |
| Total operating expenses   | 6,662                            | 7,293     | (631 )    |
| Loss from operations   | (9,274 )                         | (8,912 )  | (362 )    |
| Other (expense) income   |                                  |           |           |
| Interest expense   | (2,121 )                         | (2,017 )  | (104 )    |
| Interest expense - debt issue costs                                      | -                                | (581 )    | 581       |
| Gain from change in fair value of embedded derivatives of the 2022 Notes | -                                | 726       | (726 )    |
| Gain from change in fair value of the 2017 Notes                         | 157                              | 5,673     | (5,516)   |
| Gain from change in fair value of derivative warrant liability           | 4,719                            | 4,173     | 546       |
| Total other income   | 2,755                            | 7,974     | (5,219)   |
| Net loss   | \$ (6,519 )                      | \$ (938 ) | \$(5,581) |

Revenues. During the three months ended September 30, 2015, we recognized revenue of \$7.6 million associated with the sale of 4.3 million gallons of ethanol, as well as isobutanol and related products, a decrease in revenue of \$1.6 million from the quarter ended September 30, 2014. Hydrocarbon revenue decreased during the three months ended September 30, 2015 primarily as a result of a temporary halt in production at our demonstration plant located at the South Hampton facility near Houston, Texas.

Cost of goods sold. Our cost of goods sold during the three months ended September 30, 2015 included \$9.2 million associated with the production of ethanol, isobutanol and related products and \$1.4 million in depreciation expense. Cost of goods sold decreased \$1.1 million during the three months ended September 30, 2015 primarily due to decreases in variable manufacturing costs of \$0.2 million, repairs and maintenance of \$0.4 million, startup costs of \$0.2 million incurred in the prior year associated with establishing the side-by-side configuration of the Luverne facility, and other costs reductions of \$0.3 million.

Research and development expense. Research and development expenses decreased during the three months ended September 30, 2015 primarily due to a \$1.2 million decrease related to reduced employee related expenses, consultant and contract staff expenses, a \$0.6 million decrease in costs related to the South Hampton facility as a result of a temporary halt in production at the facility, and a \$0.3 million decrease in lab consumables.

Selling, general and administrative expense. The increase in selling, general and administrative expenses during the three months ended September 30, 2015 primarily resulted from increases of \$1.3 million in legal expenses incurred as a result of preparing for a possible trial in August 2015 and \$0.3 million in employee related stock compensation expenses.

Interest expense. Interest expense, including debt issue costs, decreased by \$0.5 million during the three months ended September 30, 2015 primarily resulting from decreases in non-cash accrued interest expense associated with the issuance of the private debt with Whitebox Advisors, LLC (“Whitebox”) in 2014.

Gain from change in fair value of embedded derivatives of the 2022 Notes. During the three months ended September 30, 2014, we reported a \$0.7 million gain associated with the decrease in fair value of the 2022 Notes, primarily as a result of a decrease in the price of our common stock in the third quarter of 2014. There was no gain or loss recorded in 2015 as the derivatives have had no meaningful value since the third quarter of 2014.

Gain from change in fair value of the 2017 Notes. During the three months ended September 30, 2015, we reported a \$0.2 million gain associated with the decrease in fair value of the 10% convertible senior secured notes due 2017 (the “2017 Notes”), primarily a result of a decrease in the price of our common stock between June 30, 2015 and September 30, 2015. During the three months ended September 30, 2014, we reported a \$5.5 million gain associated with the decrease in fair value of the 2017 Notes, primarily as a result of a decrease in the price of our common stock in the third quarter of 2014.

Gain from change in fair value of derivative warrant liability. In December 2013, August 2014, February 2015, and May 2015 we issued warrants to purchase our common stock which are recorded at fair value each reporting period. During the three months ended September 30, 2015 the estimated fair value of the derivative warrant liability decreased primarily associated with the decrease in the price of our common stock between June 30, 2015 and September 30, 2015. As a result, the Company reported a \$4.7 million gain during the three months ended September 30, 2015.

Comparison of the nine months ended September 30, 2015 and 2014 (in thousands)

|  | Nine Months Ended September 30, |           |         |
|--|---------------------------------|-----------|---------|
|  | 2015                            | 2014      | Change  |
| Revenue and cost of goods sold               |                                 |           |         |
| Ethanol sales and related products, net      | \$ 20,604                       | \$ 14,719 | \$5,885 |
| Hydrocarbon revenue                          | 1,449                           | 3,426     | (1,977) |
| Grant and other revenue                      | 787                             | 620       | 167     |
| Total revenues                               | 22,840                          | 18,765    | 4,075   |
| Cost of goods sold                           | 29,761                          | 24,709    | 5,052   |
| Gross loss                                   | (6,921 )                        | (5,944 )  | (977 )  |
| Operating expenses                           |                                 |           |         |
| Research and development expense             | 5,014                           | 11,414    | (6,400) |
| Selling, general, and administrative expense | 13,406                          | 13,508    | (102 )  |
| Total operating expenses                     | 18,420                          | 24,922    | (6,502) |

Edgar Filing: Gevo, Inc. - Form 10-Q

|  |              |              |          |
|--|--------------|--------------|----------|
| Loss from operations   | (25,341 )    | (30,866 )    | 5,525    |
| Other (expense) income   |              |              |          |
| Interest expense   | (6,186 )     | (6,227 )     | 41       |
| Interest expense - debt issuance costs                                   | -            | (3,766 )     | 3,766    |
| Gain (loss) on conversion of debt  | 285          | -            | 285      |
| Gain on extinguishment of warrant liability                              | 1,775        | -            | 1,775    |
| Gain from change in fair value of embedded derivatives of the 2022 Notes | -            | 3,470        | (3,470)  |
| Gain from change in fair value of the 2017 Notes                         | 3,582        | 544          | 3,038    |
| Gain (loss) from change in fair value of derivative warrant liability    | (2,361 )     | 6,772        | (9,133)  |
| Other income   | 14           | 7            | 7        |
| Total other income (expense)   | (2,891 )     | 800          | (3,691)  |
| Net loss   | \$ (28,232 ) | \$ (30,066 ) | \$ 1,834 |

Revenues. During the nine months ended September 30, 2015, we recognized revenue of \$20.6 million associated with the sale of 11.3 million gallons of ethanol, as well as isobutanol and related products, an increase in revenue of \$5.9 million from the nine months ended September 30, 2014. Hydrocarbon revenue decreased during the nine months ended September 30, 2015 primarily as a result of the shipment of bio-PX to Toray Industries in May 2014 for which we recognized \$1.5 million of revenue. Additional decreases in hydrocarbon revenue are a result of a temporary halt in production at our demonstration plant located at the South Hampton facility while we renegotiated our contract with South Hampton.

Cost of goods sold. Our cost of goods sold during the nine months ended September 30, 2015 included \$25.5 million associated with the production of ethanol, isobutanol and related products and \$4.3 million in depreciation expense. Cost of goods sold increased during the nine months ended September 30, 2015 primarily due to increased production of ethanol as compared to the prior year.

Research and development expense. Research and development expenses decreased during the nine months ended September 30, 2015 primarily due to a \$4.0 million decrease related to reduced employee related expenses, consultant and contract staff expenses, a \$0.9 million decrease in costs related to the South Hampton facility, and a \$1.1 million decrease in lab consumables.

Selling, general and administrative expense. The decrease in selling, general and administrative expenses during the nine months ended September 30, 2015 primarily resulted from decreases of \$1.0 million in employee-related expenses, consultant and contract staff expenses and office expenses, offset by increases of \$0.9 million in professional and legal expenses.

Interest expense. Interest expense decreased during the nine months ended September 30, 2015 primarily resulting from a decrease in non-cash accrued interest expense and interest expense associated with the issuance of the private debt with Whitebox in 2014.

Gain on extinguishment of warrant liability. During the nine months ended September 30, 2015, we incurred gains of \$1.8 million resulting from inducement payments made in connection with the 2013 and 2014 Warrant exercises. This is the result of the fair value of the derivative warrant liability for the 2013 and 2014 Warrants and the cash received being greater than the fair value of the shares issued upon exercise.

Gain from change in fair value of embedded derivatives of the 2022 Notes. During the nine months ended September 30, 2014, we reported a \$3.5 million gain associated with the decrease in fair value of the 2022 Notes, primarily a result of a decrease in the price of our common stock during that period. There was no gain or loss recorded in 2015 as the derivatives have had no meaningful value since the third quarter of 2014.

Gain from change in fair value of the 2017 Notes. During the nine months ended September 30, 2015, we reported a \$3.6 million gain associated with the decrease in fair value of the 2017 Notes, primarily a result of a decrease in the price of our common stock from December 31, 2014 to September 30, 2015.

Gain (loss) from change in fair value of derivative warrant liability. In December 2013, August 2014, February 2015, and May 2015, we issued warrants to purchase our common stock which are recorded at fair value each reporting period. During the nine months ended September 30, 2015, the estimated fair value of the derivative warrant liability increased primarily associated with additional warrant issuances that occurred from December 31, 2014 to September 30, 2015 and the exercise of warrants during that period. As a result, the Company reported a \$2.4 million loss during the nine months ended September 30, 2015.

Liquidity and Capital Resources

In May 2015, we issued and sold 4,300,000 shares of common stock and warrants to purchase an additional 430,000 shares of common stock (the “2015 Series C Warrants”) in a firm commitment underwritten public offering. The shares of common stock and the 2015 Series C Warrants were sold together as common stock units for a purchase price of \$4.00 per unit, but were immediately separable and issued separately. The 2015 Series C Warrants have an exercise price of \$5.50 per share and are exercisable from the date of the original issuance and will expire on May 19, 2020. The gross proceeds from this offering were approximately \$17.2 million, not including any proceeds from the exercise of warrants.

In February 2015, we issued and sold 2,216,667 shares of common stock, warrants to purchase an additional 2,216,667 shares of common stock (the “2015 Series A Warrants”) and warrants to purchase an additional 2,216,667 shares of common stock (the “2015 Series B Warrants”). The shares of common stock and the 2015 Series A and 2015 Series B Warrants were sold together as common stock units for a purchase price of \$3.00 per unit, but were immediately separable and issued separately. The 2015 Series A Warrants have an exercise price of \$3.75 per share, are exercisable from the date of original issuance and will expire on February 3, 2020. The 2015 Series B Warrants have an exercise price of \$3.00 per share, are exercisable from the date of original issuance and expired on



August 3, 2015. The shares of common stock and the 2015 Series A and 2015 Series B Warrants are separable and were issued separately. The gross proceeds were approximately \$6.7 million not including any proceeds from the exercise of the warrants.

In August 2014, we issued and sold 2,000,000 shares of common stock and 2014 Warrants to purchase an additional 1,000,000 shares of common stock in a firm commitment underwritten public offering. The shares of common stock and the 2014 Warrants were sold together as common stock units for a purchase price of \$9.00 per unit, but were immediately separable and issued separately. The 2014 Warrants have an exercise price of \$8.30 per share and will be exercisable from the date of the original issuance and will expire on August 5, 2019. The gross proceeds from this offering were approximately \$18.0 million, not including any proceeds from the exercise of the 2014 Warrants.

In May 2014, we entered into a term loan agreement (the “Loan Agreement”) with the lenders party thereto from time to time (“Lenders”) and Whitebox, as administrative agent for Lenders, pursuant to which the Lenders committed to provide one or more senior secured term loans to us, in an aggregate amount of up to approximately \$31.1 million on the terms set forth in the Loan Agreement (collectively the “Term Loan”). Pursuant to the Loan Agreement, on May 9, 2014, we closed a private debt financing with Whitebox consisting of a \$25.9 million Term Loan (the “First Advance”), the outstanding principal amount of which was subsequently exchanged, by Whitebox into our 2017 Notes. We used proceeds from the Term Loan to repay \$9.6 million in outstanding principal under our additional term loan facilities with TriplePoint Capital LLC (“TriplePoint”), with the remaining outstanding principal balance of \$1.0 million being junior secured debt payable over 36 months beginning June 2014.

In December 2013, we issued and sold 1,420,250 shares of common stock and 2013 Warrants to purchase an additional 1,420,250 shares of common stock. The shares of common stock and the 2013 Warrants were sold together as common stock units for a purchase price of \$20.25 per unit, but were immediately separable and issued separately. The 2013 Warrants have certain anti-dilution provisions. The 2013 Warrants have an exercise price of \$12.65, are exercisable from the date of the original issuance and will expire on December 16, 2018. This offering resulted in net proceeds of \$26.8 million after deducting \$2.0 million in underwriting discounts and commissions and other offering costs. We used \$5.1 million of the proceeds from this offering in December 2013 to repay outstanding principal to TriplePoint.

In July 2012, we issued: (i) 0.8 million shares of common stock at an offering price of \$74.25 per share; and (ii) \$45.0 million aggregate principal amount of 2022 Notes, in each case in a firm commitment underwritten public offering (the “2012 Equity Offering” and the “Note Offering,” respectively, and together, the “2012 Offerings”). We received proceeds from the 2012 Offerings of \$98.4 million, net of expenses and fees to underwriters. We used \$5.4 million of the proceeds from the Note Offering to pay in full all amounts outstanding the loan and security agreement entered into by Gevo, Inc. with TriplePoint in August 2010 (the “Gevo Loan Agreement”). As of September 30, 2015, \$20.1 million in principal amount of 2022 Notes have been converted and, as such, we had an aggregate of \$24.9 million in principal amount of 2022 Notes outstanding as of that date.

In February 2011, we completed our initial public offering issuing 548,167 shares of common stock at an offering price of \$225.00 per share, resulting in net proceeds of \$110.4 million, after deducting underwriting discounts and commissions and other offering costs.

The creation or continuation and success of new and/or existing joint ventures, including our joint venture with Redfield Energy, LLC a South Dakota limited liability company (“Redfield”), licensing arrangements, tolling arrangements and acquisition agreements involving ethanol plant assets for Retrofit to isobutanol production are each subject to our raising additional capital through future public and private equity offerings, debt financings or through other alternative financing arrangements. In addition, successful completion of our research and development programs and the attainment of profitable operations are dependent upon future events, including completion of our

development activities resulting in sales of isobutanol or isobutanol-derived products and/or technology, achieving market acceptance and demand for our products and services and attracting and retaining qualified personnel.

The following table sets forth the major sources and uses of cash for each of the periods set forth below (in thousands):

|   | Nine Months Ended<br>September 30, |            |
|---|------------------------------------|------------|
|   | 2015                               | 2014       |
| Net cash used in operating activities     | \$(21,012)                         | \$(32,606) |
| Net cash used in investing activities     | (127 )                             | (7,164 )   |
| Net cash provided by financing activities | 30,983                             | 29,155     |

### Operating Activities

Our primary uses of cash from operating activities are personnel-related expenses and research and development-related expenses including costs incurred under development agreements, costs for licensing of technology, legal-related costs and expenses

for startup operations for the production of isobutanol at the Agri-Energy Facility and for the operation of our demonstration production facility.

During the nine months ended September 30, 2015, we used \$21.0 million in cash from operating activities primarily resulting from a net loss of \$28.2 million, partially offset by \$6.3 million in non-cash gains and expenses and \$1.0 million associated with working capital.

#### Investing Activities

During the nine months ended September 30, 2015, we used \$0.1 million in cash from investing activities related to capital expenditures at our Agri-Energy Facility.

#### Financing Activities

During the nine months ended September 30, 2015, we generated \$31.0 million associated with financing activities, primarily related to the public offering of common stock units in May 2015 and February 2015 and the subsequent exercises of warrants.

#### 2017 Notes

In May 2014, the Company entered into the Loan Agreement with the Lenders and Whitebox, with a maturity date of March 15, 2017, pursuant to which the Lenders committed to provide one or more senior secured term loans to the Company in an aggregate amount of up to approximately \$31.1 million on the terms and conditions set forth in the Term Loan. The First Advance of the Term Loan in the amount of \$22.8 million, net of discounts and issue costs of \$1.6 million and \$1.5 million, respectively, was made to the Company in May 2014. Also in May 2014, the Company and its subsidiaries entered into an Exchange and Purchase Agreement (the "Exchange and Purchase Agreement") with WB Gevo, Ltd. and the other Lenders party thereto from time to time and Whitebox, in its capacity as administrative agent for the Lenders. Pursuant to the terms of the Exchange and Purchase Agreement, the Lenders were given the right, subject to certain conditions, to exchange all or a portion of the outstanding principal amount of the Term Loan for our 2017 Notes which are convertible into shares of the Company's common stock. While outstanding, the Term Loan bore an interest rate equal to 15% per annum, of which 5% was payable in cash and 10% was payable in kind and capitalized and added to the principal amount of the Term Loan.

In June 2014, the Lenders exchanged all \$25.9 million of outstanding principal amount of Term Loan provided in the First Advance for 2017 Notes, together with accrued paid-in-kind interest of \$0.2 million. The terms of the 2017 Notes are set forth in an indenture by and among the Company, its subsidiaries in their capacity as guarantors, and Wilmington Savings Fund Society, FSB, as trustee (the "2017 Notes Indenture"). The 2017 Notes will mature on March 15, 2017. The 2017 Notes have a conversion price (the "Conversion Price") equal to \$17.38 per share or 0.0576 shares per \$1 principal amount of 2017 Notes. Optional prepayment of the 2017 Notes will not be permitted. The 2017 Notes bear interest at a rate equal to 10% per annum, which is payable under certain circumstances, 5% in cash and 5% in kind and capitalized and added to the principal amount of the 2017 Notes (otherwise the full 10% is payable in cash). While the 2017 Notes are outstanding, the Company is required to maintain an interest reserve in an amount equal to 10% of the aggregate outstanding principal amount, to be adjusted on an annual basis. As of September 30, 2015, there was a balance of \$2.6 million in the interest reserve account. This amount is classified as restricted deposits.

The 2017 Notes Indenture contains customary affirmative and negative covenants for agreements of this type and events of default, including, restrictions on disposing of certain assets, granting or otherwise allowing the imposition of a lien against certain assets, incurring certain amounts of additional indebtedness, making investments, acquiring or

merging with another entity, and making dividends and other restricted payments, unless the Company receives the prior approval of the required holders. The 2017 Notes Indenture also contains limitations on the ability of the holder to assign or otherwise transfer its interest in the 2017 Notes. The 2017 Notes are secured by a lien on substantially all of the assets of the Company and is guaranteed by Agri-Energy and Gevo Development (together, the “Guarantor Subsidiaries” or “Guarantors”). On June 6, 2014, in connection with the issuance of the 2017 Notes, the Company and the Guarantor Subsidiaries entered into a pledge and security agreement in favor of the collateral trustee. The collateral pledged includes substantially all of the assets of the Company and the Guarantor Subsidiaries, including intellectual property and real property. Agri-Energy has also entered into a mortgage with respect to the real property located in Luverne, Minnesota.

The holders of the 2017 Notes may, at any time until the close of business on the business day immediately preceding the maturity date, convert the principal amount of the 2017 Notes, or any portion of such principal amount which is at least \$1,000, into shares of the Company’s common stock. Upon conversion of the 2017 Notes, the Company will deliver shares of common stock at a conversion rate of 0.0576 shares of common stock per \$1 principal amount of the 2017 Notes (equivalent to a conversion price of approximately \$17.38 per share of common stock). Such conversion rate is subject to adjustment in certain circumstances, including in

the event that there is a dividend or distribution paid on shares of the common stock or a subdivision, combination or reclassification of the common stock. The Company also has the right to increase the conversion rate (i) by any amount for a period of at least 20 business days if the Company's board of directors determines that such increase would be in the Company's best interest or (ii) to avoid or diminish any income tax to holders of shares of common stock or rights to purchase shares of common stock in connection with any dividend or distribution. In addition, subject to certain conditions described herein, each holder who exercises its option to voluntarily convert its 2017 Notes will receive a make-whole payment in an amount equal to any unpaid interest that would otherwise have been payable on such 2017 Notes through the maturity date (a "Voluntary Conversion Make-Whole Payment"). Subject to certain limitations, the Company may pay any Voluntary Conversion Make-Whole Payments either in cash or in shares of common stock, at its election.

The Company has the right to require holders of the 2017 Notes to convert all or part of the 2017 Notes into shares of its common stock if the last reported sales price of the common stock over any 10 consecutive trading days equals or exceeds 150% of the applicable conversion price (a "Mandatory Conversion"). Each holder whose 2017 Notes are converted in a Mandatory Conversion will receive a make-whole payment for the converted notes in an amount equal to any unpaid interest that would have otherwise been payable on such 2017 Notes through the maturity date (a "Mandatory Conversion Make-Whole Payment"). Subject to certain limitations, the Company may pay any Mandatory Conversion Make-Whole Payments either in cash or in shares of common stock, at its election. The Company did not require any holders to convert in the first quarter of 2015.

If a fundamental change of the Company occurs, the holders of 2017 Notes may require the Company to repurchase all or a portion of the 2017 Notes at a cash repurchase price equal to 100% of the principal amount of such 2017 Notes, plus accrued and unpaid interest, if any, through, but excluding, the repurchase date, plus a cash make-whole payment for the repurchased 2017 Notes in an amount equal to any unpaid interest that would otherwise have been payable on such convertible 2017 Notes through the maturity date. A fundamental change includes, among other things, the Company's common stock ceasing to be listed on a national securities exchange.

On July 31, 2014, January 28, 2015 and May 13, 2015, the Company entered into amendments to the 2017 Notes Indenture to, among other things, permit the offering and issuance of additional warrants and the incurrence of indebtedness by the Company under such additional warrants.

On June 1, 2015, the Company entered into further amendments to the 2017 Notes Indenture to, among other things, permit the execution, delivery, and performance of the certain agreements with FCStone, the incurrence of indebtedness by the Company and Agri-Energy in connection therewith and the making of investments by the Company and Agri-Energy thereunder.

On August 22, 2015, the Company entered into further amendments to the 2017 Notes Indenture to, among other things, permit (i) the execution, delivery, and performance of the License Agreement (as defined above) and (ii) the exchange of all or any portion of the 2022 Notes for common stock issued by the Company.

In connection with the transactions described above, the Company also entered into a Registration Rights Agreement, dated May 9, 2014 (the "Registration Rights Agreement"), pursuant to which the Company filed a registration statement on Form S-3 registering the resale of approximately 1.2 million shares of the Company's common stock which are issuable under the 2017 Notes. This registration statement was declared effective on July 25, 2014.

The Company has elected the fair value option for accounting of the Term Loan and 2017 Notes in order for management to mitigate income statement volatility caused by measurement basis differences between the embedded

instruments or to eliminate complexities of applying certain accounting models. Accordingly, the principal amount of 2017 Notes outstanding at September 30, 2015 of \$26.1 million has been recorded at its estimated fair value of \$21.9 million and is included in the 2017 Notes recorded at fair value on the consolidated balance sheets at September 30, 2015. Debt issuance costs of \$1.5 million were expensed at issuance and a gain of \$4.2 million has been recognized in subsequent periods in connection with the election of the fair value option. Change in the estimated fair value of the 2017 Notes represents an unrealized gain included in gain (loss) from change in fair value of 2017 Notes in the consolidated statements of operations. The fair value of the 2017 Notes at the issuance date were equal to the net proceeds from the loan. During the nine months ended September 30, 2015, the Company incurred cash interest expense of \$1.3 million.

#### 2022 Notes

In July 2012, we sold \$45.0 million in aggregate principal amount of 2022 Notes, with net proceeds of \$40.9 million, after accounting for \$2.7 million and \$1.4 million of cash discounts and issue costs, respectively. The 2022 Notes bear interest at 7.5% which is to be paid semi-annually in arrears on January 1 and July 1 of each year. The 2022 Notes will mature on July 1, 2022, unless earlier repurchased, redeemed or converted.

The 2022 Notes are convertible at a conversion rate of 11.7113 shares of Gevo, Inc. common stock per \$1,000 principal amount of 2022 Notes, subject to adjustment in certain circumstances as described in the indenture governing the 2022 Notes (the “Indenture”). This is equivalent to a conversion price of approximately \$85.39 per share of common stock. Holders may convert the 2022 Notes at any time prior to the close of business on the third business day immediately preceding the maturity date of July 1, 2022.

If a holder elects to convert its 2022 Notes prior to July 1, 2017, such holder shall be entitled to receive, in addition to the consideration upon conversion, a Coupon Make-Whole Payment (as defined in the Indenture). The Coupon Make-Whole Payment is equal to the sum of the present values of the semi-annual interest payments that would have been payable on the 2022 Notes that a holder has elected to convert from the last day through which interest was paid up to but excluding July 1, 2017, computed using a discount rate of 2%. We may pay any Coupon Make-Whole Payment either in cash or in shares of common stock at our election. If we elect to pay in common stock, the stock will be valued at 90% of the average of the daily volume weighted average prices of our common stock for the 10 trading days preceding the date of conversion. During the nine months ended September 30, 2015, no holders of the 2022 Notes elected to convert notes.

If a Make-Whole Fundamental Change (as defined in the Indenture) occurs and a holder elects to convert its 2022 Notes prior to July 1, 2017, the Conversion Rate will increase based upon reference to the table set forth in Schedule A of the Indenture. In no event will the Conversion Rate increase to more than 13.4680 shares of common stock per \$1,000 principal amount of 2022 Notes.

If a Fundamental Change (as defined in the Indenture) occurs, at any time, then each holder will have the right to require us to repurchase all of such holder’s 2022 Notes, or any portion thereof that is an integral multiple of \$1,000 principal amount, for cash at a repurchase price of 100% of the principal amount of such 2022 Notes plus any accrued and unpaid interest thereon through, but excluding, the repurchase date. Additionally, on July 1, 2017, each holder will have the right to require us to repurchase all of such holder’s 2022 Notes, or any portion thereof that is an integral multiple of \$1,000 principal amount, for cash at a repurchase price of 100% of the principal amount of 2022 Notes plus any accrued and unpaid interest thereon through, but excluding, the repurchase date.

We have a provisional redemption right (“Provisional Redemption”) to redeem, at our option, all or any part of the 2022 Notes at a price payable in cash, beginning on July 1, 2015 and prior to July 1, 2017, provided that our common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day immediately prior to the date of the redemption notice exceeds 150% of the Conversion Price in effect on such trading day. On or after July 1, 2017, we have an optional redemption right (“Optional Redemption”) to redeem, at our option, all or any part of the 2022 Notes at a price payable in cash. The price payable in cash for the Optional Redemption or Provisional Redemption is equal to 100% of the principal amount of 2022 Notes redeemed plus any accrued and unpaid interest thereon through, but excluding, the repurchase date.

If there is an Event of Default (as defined in the Indenture) under the 2022 Notes, the holders of not less than 25% in principal amount of Outstanding Notes (as defined in the Indenture) by notice to us and the trustee may, and the trustee at the request of such holders shall, declare the principal amount of all the Outstanding Notes and accrued and unpaid interest thereon to be due and payable immediately.

#### Secured Long-Term Debt

Amended Agri-Energy Loan Agreement. In October 2011, the loan and security agreement with TriplePoint was amended and restated (the “Amended Agri-Energy Loan Agreement”) to provide Agri-Energy with additional term loan facilities of up to \$15.0 million to pay a portion of the costs, expenses, and other amounts associated with the Retrofit of the Agri-Energy Facility to produce isobutanol. In October 2011, Agri-Energy borrowed \$10.0 million under the

additional term loan facilities which bore interest at a rate equal to 11%. In January 2012, Agri-Energy borrowed an additional \$5.0 million under the additional term loan facilities, bringing the total borrowed under the additional term loan facilities to \$15.0 million.

In May 2014, the Company entered into a Consent Under and Third Amendment to Amended and Restated Plain English Growth Capital Loan and Security Agreement and Omnibus Amendment to Loan Documents (the “2014 Amendment”) pursuant to which TriplePoint amended its agreements with the Company and consented to (a) the execution, delivery, and performance of the Loan Agreement, the Exchange and Purchase Agreement, the Registration Rights Agreement, the 2017 Notes Indenture, the 2017 Notes, and the other documents related thereto (collectively the “Senior Loan Documents”); (b) the incurrence of the Term Loan with Whitebox and any other indebtedness under the Senior Loan Documents (collectively, the “Senior Indebtedness”); (c) the consummation of the exchange of the Term Loan for the 2017 Notes; (d) the offering, issuance and sale of the 2017 Notes to Whitebox and the conversion of any 2017 Notes into the common stock of the Company pursuant to the terms of the 2017 Notes Indenture; (e) the guaranty of the Senior Indebtedness provided by the Guarantors; (f) the liens granted by each of the Company and the Guarantors to secure the Senior Indebtedness and the other obligations under the Senior Loan Documents; (g) the consummation of any transactions contemplated by, and the terms of, the Senior Loan Documents by the Company and the Guarantors; and (h) the payment and performance of any of the obligations under the Senior Loan Documents by the Company and the Guarantors, including



the making of dividends and distributions by the Guarantors to the Company for the purpose of enabling the Company to make any payments under the Senior Loan Documents. In connection with the 2014 Amendment, TriplePoint entered into a subordination agreement with Whitebox pursuant to which TriplePoint subordinated its right of payment and lien priority to the Senior Indebtedness on the terms set forth in the subordination agreement.

As part of the 2014 Amendment, the Company repaid \$9.6 million in principal payments due under the foregoing loan agreements with TriplePoint and entered into an amended Loan Agreement with TriplePoint. At September 30, 2015, the amended loan agreement had a principal balance of \$0.6 million, which amortizes over 36 months and bears interest at a rate equal to 9% per annum and matures in May of 2017. There were no additional concessions or terms of the agreement which would require recognition of a gain or loss due to this amended agreement. As of September 30, 2015, Agri-Energy has granted TriplePoint a junior security interest in all of its assets as security for its obligations under the Amended Agri-Energy Loan Agreement.

### Contractual Obligations and Commitments

The following summarizes the future commitments arising from our contractual obligations at September 30, 2015 (in thousands).

|                                | Less than 1 year | 1 - 3<br>years  | 3 - 5<br>years | 5+<br>Years     | Total           |
|--------------------------------|------------------|-----------------|----------------|-----------------|-----------------|
| Principal debt payments (1)    | \$ 320           | \$26,349        | \$-            | \$24,900        | \$51,569        |
| Interest payments on debt (2)  | 4,517            | 4,933           | 3,735          | 3,735           | 16,920          |
| Operating leases (3)           | 1,458            | 2,123           | 803            | -               | 4,384           |
| Software license agreement (4) | 162              | 167             | -              | -               | 329             |
| <b>Total</b>                   | <b>\$ 6,457</b>  | <b>\$33,572</b> | <b>\$4,538</b> | <b>\$28,635</b> | <b>\$73,202</b> |

- (1) Represents cash principal payments due to Whitebox, TriplePoint and to holders of the 2022 Notes.
- (2) Represents cash interest payments due to Whitebox, TriplePoint and to holders of the 2022 Notes.
- (3) Represents commitments for operating leases related to our leased facility in Englewood, Colorado and our lease for rail cars for ethanol and isobutanol shipments.
- (4) Amounts due under a software license agreement.

The table above reflects only payment obligations that are fixed and determinable as of September 30, 2015.

### Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any relationships with unconsolidated entities, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There was no material change in our market risk exposure during the nine months ended September 30, 2015. For a discussion of our market risk associated with commodity prices, equity prices and interest rates see "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of our Annual Report.

Item 4. Controls and Procedures.

Conclusion regarding the effectiveness of disclosure controls and procedures. We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosures.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b) has been performed under the supervision of, and with the participation of, our management, including our Chief Executive Officer and our Chief Financial Officer. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2015 because of deficiencies in our accounting for non-routine transactions, including a material weakness identified in

the year ended December 31, 2014 in accounting for the underwritten public offering completed in August 2014 (the “August Offering”) as described below. Notwithstanding the material weakness that continued to exist as of September 30, 2015, management has concluded that the consolidated financial statements included in this Report present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with GAAP.

**Remediation of Material Weakness in Internal Control Over Financial Reporting.** Management is currently addressing this material weakness in internal control over financial reporting and is anticipating remediating the deficiency by the end of 2015. The Company is implementing enhanced controls and policies with respect to the review and analysis of all working papers of non-routine transactions such as the August Offering. During the three months ended September 30, 2015, management identified continued deficiencies in the accounting of non-routine accounting transactions and the previously identified material weakness continues to be remediated. Management believes that there are no material inaccuracies or omissions of material fact in the Company’s financial statements and, to the best of its knowledge, believes that the consolidated financial statements for the nine months ended September 30, 2015 fairly present in all material respects the Company’s financial position results of operations and cash flows in accordance with GAAP.

**Changes in internal control over financial reporting.** There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

On January 14, 2011, Butamax filed a complaint (the “Complaint”) against us in the United States Court for the District of Delaware (the “Delaware District Court”), as Case No. 1:11-cv-00054-SLR, alleging that we were infringing one or more claims made in U.S. Patent No. 7,851,188, entitled “Fermentive Production of Four Carbon Alcohols.”

On August 11, 2011, Butamax amended the Complaint to include allegations that we were infringing one or more claims made in U.S. Patent No. 7,993,889, also entitled “Fermentive Production of Four Carbon Alcohols”. On March 12, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-00298-SLR, alleging that we were infringing one or more claims made in U.S. Patent No. 8,129,162, entitled “Ketol-Acid Reductoisomerase Using NADH.”

On May 15, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-00602-SLR, alleging that we were infringing one or more claims made in U.S. Patent No. 8,178,328, entitled “Fermentive Production of Four Carbon Alcohols.”

On August 6, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-01014-SLR, alleging that we were infringing U.S. Patent No. 8,222,017, entitled “Ketol-Acid Reductoisomerase Using NADH.”

On August 14, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-01036-SLR, alleging that we were infringing U.S. Patent No. 8,241,878, entitled “Recombinant Yeast Host Cell with Fe-S Cluster Proteins and Methods of Using Thereof.”

On September 25, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-01200-SLR, alleging that we were infringing U.S. Patent No. 8,273,558, entitled “Fermentive Production of Four Carbon Alcohols.”

On October 8, 2012, Butamax filed a complaint in the Delaware District Court, as Case No. 1:12-cv-01300-SLR, alleging that we were infringing U.S. Patent No. 8,283,144, entitled “Fermentive Production of Four Carbon Alcohols.”

On August 22, 2015, the Company entered into a Settlement Agreement and Mutual Release (the “Settlement Agreement”) with Butamax, E.I. du Pont de Nemours & Company (“DuPont”) and BP Biofuels North America LLC (“BP” and, together with Butamax and DuPont, the “Butamax Parties”), that resolves the various disputes, lawsuits and other proceedings between one or more of the Butamax Parties and the Company mentioned above; and the Company (the “Subject Litigation”), and creates a new business relationship pursuant to which Butamax and the Company have granted rights to each other under certain patents and patent applications in accordance with the terms of the License Agreement which was entered into by the Company and Butamax concurrently with the Settlement Agreement.

Pursuant to the terms of the Settlement Agreement, the parties have agreed to terminate the Subject Litigation by filing a joint motion of dismissal with prejudice subject to certain continuing permitted activities such as the rights of each of the Company and Butamax to take further actions in connection with existing appeals and reexaminations for purposes of resolving existing disputes. Additionally, the parties have agreed to jointly request that the Delaware District Court vacate and withdraw its decisions and orders concerning certain of the parties’ substantive motions, specifically the Delaware District Court’s Claim Construction Memorandum Opinion and Order in matter 11-54, dated March 19, 2013, and the Delaware District Court’s memorandum Opinion and Order dated August 3, 2015 in matters 12-1036, 12-1300 and 12-1200.

The Butamax Parties have also agreed to release, on behalf of themselves and their affiliates, the Company and its affiliates from and against all claims that the Butamax Parties have or may have with respect to any matter arising from or related to the Subject Litigation. Likewise, the Company has agreed to release, on behalf of itself and its affiliates, the Butamax Parties and their affiliates from and against all claims that the Company has or may have with respect to any matter arising from or related to the Subject Litigation.

In addition to the mutual release discussed above, the parties have also agreed to certain limitations on the making or participating in a challenge of the other party's patents that are at issue in the Subject Litigation. The parties have also made certain representations, warranties and covenants to each other including, without limitation, with respect to obtaining certain consents.

The Settlement Agreement will continue in effect until the expiration of the licensed patents, unless earlier terminated by all parties in writing, except that certain obligations under the Settlement Agreement including the mutual release and obligations to pay royalties and other fees under the License Agreement will survive the termination of the Settlement Agreement.

The parties may not assign the Settlement Agreement or any right or obligation thereunder without the prior written consent of the other party. However, the parties may assign the Settlement Agreement to an affiliate or a person that acquires all or substantially all of the business or assets of such party, provided that the assignment includes all patents and patent applications owned by the assigning party that are at issue in the Subject Litigation, subject to certain restrictions.

#### Item 1A. Risk Factors.

You should carefully consider the risks described below before investing in our publicly-traded securities. The risks described below are not the only ones facing us. Our business is also subject to the risks that affect many other companies, such as competition, technological obsolescence, labor relations, general economic conditions, geopolitical changes and international operations. Additional risks not currently known to us or that we currently believe are immaterial also may impair our business operations and our liquidity. The risks described below could cause our actual results to differ materially from those contained in the forward-looking statements we have made in this Report, the information incorporated herein by reference and those forward-looking statements we may make from time to time.

#### Certain Risks Relating to our Business and Strategy

Our auditors have expressed substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain further financing.

Our audited financial statements for the year ended December 31, 2014, were prepared under the assumption that we would continue our operations as a going concern. Our independent registered public accounting firm for the year ended December 31, 2014 included a “going concern” emphasis of matter paragraph in its report on our financial statements as of, and for the year ended December 31, 2014, indicating that the amount of working capital at December 31, 2014 was not sufficient to meet the cash requirements to fund planned operations through December 31, 2015 without additional sources of cash, which raises substantial doubt about our ability to continue as a going concern. Uncertainty concerning our ability to continue as a going concern may hinder our ability to obtain future financing. Continued operations and our ability to continue as a going concern are dependent on our ability to obtain additional funding in the near future and thereafter, and there are no assurances that such funding will be available to us at all or will be available in sufficient amounts or on reasonable terms. Our financial statements do not include any adjustments that may result from the outcome of this uncertainty. Without additional funds from private and/or public offerings of debt or equity securities, sales of assets, sales of our licenses of intellectual property or technologies, or other transactions, we will exhaust our resources and will be unable to continue operations. If we cannot continue as a viable entity, our stockholders would likely lose most or all of their investment in us.

We have a history of net losses, and we may not achieve or maintain profitability.

We have incurred net losses of \$28.2 million, \$41.1 million, \$66.8 million, and \$60.7 million during the nine months ended September 30, 2015 and the years ended December 31, 2014, 2013 and, 2012, respectively. As of September 30, 2015, we had an accumulated deficit of \$331.5 million. We expect to incur losses and negative cash flows from operating activities for the foreseeable future. We currently derive revenue from the sale of isobutanol, ethanol and related products at the Agri-Energy Facility, although over certain periods of time, we may and have operated the plant for the sole production of ethanol and related products to maximize cash flows. Additionally, we have generated limited revenue from the sale of products such as alcohol-to-jet (“ATJ”) fuel produced from isobutanol that has been used for engine qualification and flight demonstration by the U.S. Air Force and other branches of the U.S. military. If our existing grants and cooperative agreements are canceled prior to the expected end dates or we are unable to obtain new grants, cooperative agreements or product supply contracts, our revenues could be adversely affected.

Furthermore, we expect to spend significant amounts on the further development and commercial implementation of our technology. We also expect to spend significant amounts acquiring and deploying additional equipment to attain final product specifications that may be required by future customers, acquiring or otherwise gaining access to additional ethanol plants and Retrofitting them for isobutanol production, on marketing, general and administrative expenses associated with our planned growth, on management of operations as a public company, and on debt service obligations. In addition, the cost of preparing, filing, prosecuting, maintaining and enforcing patent, trademark and other intellectual property rights and defending ourselves against claims by others that we may be violating their intellectual property rights may be significant.

In particular, over time, costs related to defending the validity of our issued patents and challenging the validity of the patents of others at the USPTO may be significant. As a result, even if our revenues increase substantially, we expect that our expenses will exceed revenues for the foreseeable future. We do not expect to achieve profitability during the foreseeable future, and may never achieve it. If we fail to achieve profitability, or if the time required to achieve profitability is longer than we anticipate, we may not be able to continue our business. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We will require substantial additional financing to achieve our goals, and a failure to obtain this capital when needed or on acceptable terms could force us to delay, limit, reduce or terminate our development and commercialization efforts.

Significant portions of our resources have been dedicated to research and development, as well as demonstrating the effectiveness of our technology, through the Retrofit of the Agri-Energy Facility. We believe that we will continue to expend substantial resources for the foreseeable future on further developing our technologies, developing future markets for our isobutanol and accessing and Retrofitting facilities necessary for the production of isobutanol on a commercial scale. These expenditures will include costs associated with research and development, accessing existing ethanol plants, Retrofitting or otherwise modifying the plants (including the Redfield Facility) to produce isobutanol, obtaining government and regulatory approvals, acquiring or constructing storage facilities and negotiating supply agreements for the isobutanol we produce. In addition, other unanticipated costs may arise. Because the costs of developing our technology at a commercial scale are highly uncertain, we cannot reasonably estimate the amounts necessary to successfully commercialize our production.

To date, we have funded our operations primarily through equity offerings, issuances of debt, borrowing under our secured debt financing arrangements and revenues earned primarily from the sale of ethanol. Based on our current plans and expectations, we will require additional funding to achieve our goals. In addition, the cost of preparing, filing, prosecuting, maintaining and enforcing patent, trademark and other intellectual property rights and defending against claims by others that we may be violating their intellectual property rights may be significant. Moreover, our plans and expectations may change as a result of factors currently unknown to us, and we may need additional funds sooner than planned and may seek to raise additional funds through public or private debt or equity financings in the near future. We may also choose to seek additional capital sooner than required due to favorable market conditions or strategic considerations.

Our future capital requirements will depend on many factors, including:

- the timing of, and costs involved in developing and optimizing our technologies for full-scale commercial production of isobutanol;
- the timing of, and costs involved in accessing existing ethanol plants;
- the timing of, and costs involved in Retrofitting the plants we access with our technologies;
- the costs involved in establishing enhanced yeast seed trains;
- the costs involved in acquiring and deploying additional equipment to attain final product specifications that may be required by future customers;
- the cost of operating, maintaining and increasing production capacity of the Retrofitted plants;
- our ability to negotiate agreements supplying suitable biomass to our plants, and the timing and terms of those agreements;
- the timing of, and the costs involved in developing adequate storage facilities for the isobutanol we produce;
- our ability to gain market acceptance for isobutanol as a specialty chemical, gasoline blendstock and as a raw material for the production of hydrocarbons;
- our ability to negotiate supply agreements for the isobutanol we produce, and the timing and terms of those agreements, including terms related to sales price;
- our ability to negotiate sales of our isobutanol for full-scale production of butenes and other industrially useful chemicals and fuels, and the timing and terms of those sales, including terms related to sales price;
- our ability to sell the iDGs™ left as a co-product of fermenting isobutanol from corn as animal feedstock;
- our ability to establish and maintain strategic partnerships, licensing or other arrangements and the timing and terms of those arrangements; and
- the cost of preparing, filing, prosecuting, maintaining, defending and enforcing patent, trademark and other intellectual property claims, including litigation costs and the outcome of such litigation.





Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. In addition, our ability to raise additional funds will be subject to certain limitations in the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint. If needed funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate:

- our research and development activities;
- our plans to access and/or Retrofit existing ethanol facilities;
- our production of isobutanol at Retrofitted plants;
- our efforts to prepare, file, prosecute, maintain and enforce patent, trademark and other intellectual property rights and defend against claims by others that we may be violating their intellectual property rights; and/or
- our activities in developing storage capacity and negotiating supply agreements that may be necessary for the commercialization of our isobutanol production.

Our ability to compete may be adversely affected if we are unsuccessful in defending against any claims by competitors or others that we are infringing upon their intellectual property rights.

The various bioindustrial markets in which we plan to operate are subject to frequent and extensive litigation regarding patents and other intellectual property rights. In addition, many companies in intellectual property-dependent industries, including the renewable energy industry, have employed intellectual property litigation as a means to gain an advantage over their competitors. As a result, we may be required to defend against claims of intellectual property infringement that may be asserted by our competitors against us and, if the outcome of any such litigation is adverse to us, it may affect our ability to compete effectively.

Litigation, interferences, opposition proceedings or other intellectual property proceedings inside and outside of the U.S. may divert management time from focusing on business operations, could cause us to spend significant amounts of money and may have no guarantee of success. Any future intellectual property litigation could also force us to do one or more of the following:

- stop selling, incorporating, manufacturing or using our products that use the subject intellectual property;
- obtain from a third party asserting its intellectual property rights, a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all;
- redesign those products or processes, such as our process for producing isobutanol, that use any allegedly infringing or misappropriated technology, which may result in significant cost or delay to us, or which redesign could be technically infeasible;
- pay attorneys' fees and expenses; or
- pay damages, including the possibility of treble damages in a patent case if a court finds us to have willfully infringed certain intellectual property rights.

We are aware of a significant number of patents and patent applications relating to aspects of our technologies filed by, and issued to, third parties. We cannot assure you that we will ultimately prevail if any of this third-party intellectual property is asserted against us.

Our Retrofit of the Agri-Energy Facility is our first commercial Retrofit and, as a result, our full-scale commercial production of isobutanol at the Agri-Energy Facility could be delayed or we could experience significant cost overruns in comparison to our current estimates.

In September 2010, we acquired ownership of the Agri-Energy Facility in Luverne, Minnesota. To date, we have successfully demonstrated fermentation operations at commercial scale combined with the use of our GIFT® separation system using corn mash feedstock at the Agri-Energy Facility. We may incur additional costs in order to further optimize the production of isobutanol, or both isobutanol and ethanol simultaneously, at the Agri-Energy Facility. Such funds may not be available when we need them, on terms that are acceptable to us or at all. In addition,

our ability to raise additional funds will be subject to certain limitations in the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint. If additional funding is not available to us, or not available on terms acceptable to us, our ability to optimize the isobutanol production technology currently in place at the Agri-Energy Facility and achieve full-scale commercial production at this facility may be limited. Such a result could reduce the scope of our business plan and have an adverse effect on our results of operations.

The Agri-Energy Facility is our first commercial isobutanol production facility, and, as such, we may be unable to produce planned quantities of isobutanol and any such production may be more costly than we anticipate.

Since commencing initial startup operations for the production of isobutanol at the Agri-Energy Facility in May 2012, we have encountered some production challenges, including contamination issues, which have resulted in lower than planned isobutanol production. While we have resumed limited production of isobutanol at the Agri-Energy Facility, this is our first commercial isobutanol production facility and we may encounter further production challenges, including, but not limited to, being unable to manage plant contamination, and we may need to add additional processing steps or incur additional capital expenditures to achieve our target customers' product specifications. Any such production challenges may delay our ramp up of production capacity, prevent us from producing significant quantities of isobutanol, significantly increase our cost to produce isobutanol, or cause us to switch to producing ethanol or produce both products simultaneously, which could have a material adverse effect on our business, financial condition and results of operations.

Some of our Retrofits, including the Retrofit of the Agri-Energy Facility, may include additional equipment that we believe will allow us to switch between ethanol and isobutanol production, or produce both products simultaneously, but we cannot guarantee that we will be successful in switching between isobutanol and ethanol production, or producing both products simultaneously, in a timely or efficient manner at these facilities.

In July 2014, we began more consistent co-production of isobutanol and ethanol at our Agri-Energy Facility with one fermenter utilized for isobutanol production and three fermenters utilized for ethanol production. We believe that the capability to switch between ethanol and isobutanol production, or produce both products simultaneously (as evidenced by our Agri-Energy Facility) will, subject to regulatory factors and depending on market conditions, mitigate certain significant risks associated with startup operations for isobutanol production, but there can be no assurance that we will be able to revert to ethanol production, or produce both products simultaneously at future plants, or that it will make sense, based on the then-current economic conditions for the production of ethanol, to do so. Even if we are able to revert to ethanol production, or produce both products simultaneously at certain facilities, those facilities may produce ethanol less efficiently or in lower volumes than they did prior to the Retrofit and such ethanol production may not generate positive economic returns. If we are unable to produce isobutanol at the volumes, rates and costs that we expect and are unable to revert to ethanol production at full capacity, or produce both products simultaneously, we would be unable to match the facility's historical economic performance and our business, financial condition and results of operations would be materially adversely affected.

Fluctuations in the price of corn and other feedstocks may affect our cost structure.

Our approach to the biofuels and chemicals markets will be dependent on the price of corn and other feedstocks that will be used to produce ethanol and isobutanol. A decrease in the availability of plant feedstocks or an increase in the price may have a material adverse effect on our financial condition and operating results. At certain levels, prices may make these products uneconomical to use and produce, as we may be unable to pass the full amount of feedstock cost increases on to our customers.

The price and availability of corn and other plant feedstocks may be influenced by general economic, market and regulatory factors. These factors include weather conditions, farming decisions, government policies and subsidies with respect to agriculture and international trade, and global demand and supply. For example, corn prices may increase significantly in response to drought conditions in the Midwestern region of the U.S. and any resulting decrease in the supply of corn could lead to the restriction of corn supplies, which in turn could cause further increases in the price of corn. The significance and relative impact of these factors on the price of plant feedstocks is difficult to predict, especially without knowing what types of plant feedstock materials we may need to use.

Fluctuations in the price and availability of natural gas may harm our performance.

The ethanol facilities that we have Retrofitted or plan to Retrofit to produce isobutanol use significant amounts of natural gas to produce ethanol. After Retrofit with our GIFT<sup>®</sup> technology, these facilities will continue to require natural gas to produce isobutanol and/or ethanol. Accordingly, our business is dependent upon natural gas supplied by third parties. The prices for and availability of natural gas are subject to volatile market conditions. These market conditions are affected by factors beyond our control, such as weather conditions, overall economic conditions and governmental regulations. Should the price of natural gas increase, our performance could suffer. Likewise, disruptions in the supply of natural gas could have a material impact on our business and results of operations.

Fluctuations in petroleum prices and customer demand patterns may reduce demand for biofuels and bio-based chemicals.

We anticipate marketing our biofuel as an alternative to petroleum-based fuels. Therefore, if the price of oil falls, any revenues that we generate from biofuel products could decline, and we may be unable to produce products that are a commercially viable alternative to petroleum-based fuels. Additionally, demand for liquid transportation fuels, including biofuels, may decrease due to

economic conditions or otherwise. We will encounter similar risks in the chemicals industry, where declines in the price of oil may make petroleum-based hydrocarbons less expensive, which could reduce the competitiveness of our bio-based alternatives.

Changes in the prices of distiller's grains and iDGs™ could have a material adverse effect on our financial condition.

We sell distiller's grains as a co-product from the production of ethanol at the Agri-Energy Facility during any period in which the production of isobutanol is temporarily paused and our management decides, based on the then-current economic conditions for the production of ethanol, that the Agri-Energy Facility will be temporarily reverted to ethanol production, or during periods in which we produce both isobutanol and ethanol simultaneously. We may also sell distiller's grains produced by other ethanol facilities that we acquire, enter into a joint venture or tolling arrangement with, or license to in the future. We also sell the iDGs™ that are produced as a co-product of our commercial isobutanol production. Distiller's grains and iDGs™ compete with other animal feed products, and decreases in the prices of these other products could decrease the demand for and price of distiller's grains and iDGs™. Additionally, we have produced limited quantities of commercial iDGs™ and, as such, there is a risk that our iDGs™ may not meet market requirements. If the price of distiller's grains and iDGs™ decreases or our iDGs™ do not meet market requirements, our revenue from the sale of distiller's grains and future revenue from the sale of iDGs™ could suffer, which could have a material adverse effect on our financial condition.

To the extent that we produce ethanol at accessed plants before commencing isobutanol production, or during periods in which we make the strategic decision to revert to ethanol production, or produce both products simultaneously, we will be vulnerable to fluctuations in the price of and cost to produce ethanol.

We believe that, like the Agri-Energy Facility, the other ethanol production facilities we access can continue to produce ethanol during most of the Retrofit process. In certain cases, we may obtain income from this ethanol production. Further, we have designed our isobutanol production technology (including the Retrofit of the Agri-Energy Facility) to allow us to revert to ethanol production at certain facilities, or produce both products simultaneously, when the economic conditions for ethanol production make such production desirable. Our earnings from ethanol revenue will be dependent on the price of, demand for and cost to produce ethanol. Decreases in the price of ethanol, whether caused by decreases in gasoline prices, changes in regulations, seasonal fluctuations or otherwise, will reduce our revenues, while increases in the cost of production will reduce our margins. To the extent that ethanol production costs increase or price decreases, earnings from ethanol production could suffer, which could have a material adverse effect on our business.

In recent years, the spread between ethanol and corn prices has fluctuated widely. Fluctuations are likely to continue to occur. Unfavorable weather conditions led to a smaller than expected corn harvest across affected areas of the U.S. Midwest region in the fall of 2012. This, along with smaller corn carryover in the last two crop years and higher export demand for corn led to higher corn prices during 2012 and the first half of 2013 and increased corn price volatility. The price of ethanol during that time did not keep pace with rising corn prices which resulted in lower and, in some instances negative, operating margins in the ethanol industry. As a result, during the fourth quarter of 2012, our management determined that the production of ethanol at the Agri-Energy Facility would not produce a positive margin versus maintaining the Agri-Energy Facility at idle. Likewise, the recent decline in oil prices has translated into lower gasoline prices in the U.S., which have resulted in lower ethanol prices and ethanol profit margins. It is unclear when or if ethanol prices may rebound, and consequently, when or if near-term ethanol margins will increase from current levels. Our inability to rely on ethanol production as an alternative revenue source due to rising corn prices or otherwise could have a material adverse effect on our business, financial condition and results of operations.

Sustained narrow commodity margins may cause us to operate at a loss or to reduce or suspend production of ethanol and/or isobutanol at the Agri-Energy Facility, and we may or may not be able to recommence production when

margins improve.

Our results from operations will be substantially dependent on commodity prices. Many of the risks associated with volatile commodity prices, including fluctuations in feedstock costs and natural gas costs, apply both to the production of ethanol and isobutanol. Sustained unfavorable commodity prices may cause our combined revenues from sales of ethanol, isobutanol and related co-products to decline below our marginal cost of production. As market conditions change, our management may decide to reduce or suspend production of ethanol and/or isobutanol at the Agri-Energy Facility.

The decision to reduce or suspend production at a facility may create additional costs related to continued maintenance, termination of staff, certain unavoidable fixed costs, termination of customer contracts and increased costs to increase or recommence production in the future. These costs may make it difficult or impractical to increase or recommence production of ethanol and/or isobutanol at the Agri-Energy Facility even if margins improve. In addition, any reduction or suspension of the production of ethanol and/or isobutanol at the Agri-Energy Facility may slow or stop our commercialization process, which could have a material adverse effect on our business, financial condition and results of operations.

46

---

We may not be successful in the development of individual steps in, or an integrated process for, the production of commercial quantities of isobutanol from plant feedstocks in a timely or economic manner, or at all.

As of September 30, 2015, we have produced only limited quantities of isobutanol at commercial scale and we may not be successful in increasing our production from these limited startup production levels to nameplate production levels. The production of isobutanol requires multiple integrated steps, including:

- obtaining the plant feedstocks;
- treatment with enzymes to produce fermentable sugars;
- fermentation by organisms to produce isobutanol from the fermentable sugars;
- distillation of the isobutanol to concentrate and separate it from other materials;
- purification of the isobutanol; and
- storage and distribution of the isobutanol.

Our future success depends on our ability to produce commercial quantities of isobutanol in a timely and economic manner. Our biocatalysts have not yet produced isobutanol at nameplate production levels. While we have produced isobutanol using our biocatalysts at our laboratories in Colorado, at the one MGPY demonstration facility and at the Agri-Energy Facility, such production was not at full nameplate capacity of a commercial facility. Our production since the fourth quarter of 2013 has utilized a corn mash feedstock, but risk still exists for achieving nameplate capacity at the Agri-Energy Facility. The risk of contamination and other problems rises as we increase the scale of our isobutanol production. If we are unable to successfully manage these risks, we may encounter difficulties in achieving our target isobutanol production yield, rate, concentration or purity at a commercial scale, which could delay or increase the costs involved in commercializing our isobutanol production. In addition, we have limited experience sourcing large quantities of feedstocks and in storing and/or distributing significant volumes of isobutanol. The technological and logistical challenges associated with each of the processes involved in production, sale and distribution of isobutanol are extraordinary, and we may not be able to resolve any difficulties that arise in a timely or cost effective manner, or at all. Even if we are successful in developing an economical process for converting plant feedstocks into commercial quantities of isobutanol, we may not be able to adapt such process to other biomass raw materials, including cellulosic biomass.

Prior to commencement of the Agri-Energy Facility Retrofit, neither we nor ICM, Inc. (“ICM”) had ever built (through Retrofit or otherwise) or operated a commercial isobutanol facility. We assume that we understand how the engineering and process characteristics of the one MGPY demonstration facility will scale up to larger facilities, but these assumptions may prove to be incorrect. Accordingly, we cannot be certain that we can consistently produce isobutanol in an economical manner in commercial quantities. If our costs to build large-scale commercial isobutanol facilities are significantly higher than we expect or if we fail to consistently produce isobutanol economically on a commercial scale or in commercial volumes, our commercialization of isobutanol and our business, financial condition and results of operations will be materially adversely affected.

We have entered into a joint venture with Redfield Energy, LLC to Retrofit the Redfield Facility, and our production of isobutanol at the Redfield Facility could be delayed or we could experience significant cost overruns in comparison to our current estimates.

In June 2011, we acquired access to the Redfield Facility, a 50 MGPY ethanol production facility located near Redfield, South Dakota, pursuant to our joint venture with Redfield. In order to Retrofit this facility to produce isobutanol, we will need access to additional capital in order to commence the Retrofit. Although we will be able to apply our experience from the Retrofit of the Agri-Energy Facility, no two ethanol facilities are exactly alike, and each Retrofit will require individualized engineering and design work. Cost overruns or other unexpected difficulties unique to the Redfield Facility could cause the Retrofit to cost more than we anticipate which could further increase our need for funding. Such funds may not be available when we need them, on terms that are acceptable to us or at all,



which could delay our full-scale commercial production of isobutanol at this facility. In addition, our ability to raise additional funds will be subject to certain limitations in the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint. If additional funding is not available to us, or not available on terms acceptable to us, our ability to complete the Retrofit of the Redfield Facility, which is not yet underway, or acquire access to or Retrofit additional ethanol plants may be limited. Such a result could reduce the scope of our business plan and have an adverse effect on our results of operations.

We may not be able to successfully identify and acquire access to additional ethanol production facilities suitable for efficient Retrofitting, or acquire access to sufficient capacity to be commercially viable or meet customer demand.

Our strategy currently includes accessing and Retrofitting, either independently or with potential development partners or licensees, existing ethanol facilities for the production of large quantities of isobutanol for commercial distribution and sale. In addition to the Agri-Energy Facility, we have acquired access to the 50 MGPY Redfield Facility pursuant to our joint venture with

Redfield. However, we may not find future development partners with whom we can implement this growth strategy, and we may not be able to identify facilities suitable for joint venture, acquisition, lease or license.

Even if we successfully identify a facility suitable for efficient Retrofitting, we may not be able to acquire access to such facility in a timely manner, if at all. The owners of the ethanol facility may reach an agreement with another party, refuse to consider a joint venture, acquisition, lease or license, or demand more or different consideration than we are willing to provide. In particular, if the profitability of ethanol production increases, plant owners may be less likely to consider modifying their production, and thus may be less willing to negotiate with us or agree to allow us to Retrofit their facilities for isobutanol production. We may also find that it is necessary to offer special terms, incentives and/or rebates to owners of ethanol facilities that allow us to access and Retrofit their facilities while our production technology is being proven on a commercial scale. Even if the owners of a facility are interested in reaching an agreement that grants us access to the plant, negotiations may take longer or cost more than we expect, and we may never achieve a final agreement. Further, our ability to raise additional funds will be subject to certain limitations in the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint, and we may not be able to raise capital on acceptable terms, or at all, to finance our joint venture, acquisition, participation or lease of facilities.

Even if we are able to access and Retrofit several facilities, we may fail to access enough capacity to be commercially viable or meet the volume demands or minimum requirements of our customers, including pursuant to definitive supply or distribution agreements that we may enter into, which may subject us to monetary damages. Failure to acquire access to sufficient capacity in a timely manner and on favorable terms may slow or stop our commercialization process, which could have a material adverse effect on our business, financial condition and results of operations.

Once we acquire access to ethanol facilities, we may be unable to successfully Retrofit them to produce isobutanol, or we may not be able to Retrofit them in a timely and cost-effective manner.

For each ethanol production facility to which we acquire access, we will be required to obtain numerous regulatory approvals and permits to Retrofit and operate the facility. In the U.S., these include such items as a modification to the air permit, fuel registration with the U.S. Environmental Protection Agency (the "EPA"), ethanol excise tax registration and others. These requirements may not be satisfied in a timely manner, or at all. Later-enacted federal and state governmental requirements may also substantially increase our costs or delay or prevent the completion of a Retrofit, which could have a material adverse effect on our business, financial condition and results of operations.

No two ethanol facilities are exactly alike, and each Retrofit will require individualized engineering and design work. There is no guarantee that we or any contractor we retain will be able to successfully design a commercially viable Retrofit, or properly complete the Retrofit once the engineering plans are completed. Prior to commencement of the Agri-Energy Facility Retrofit, neither we nor ICM had ever built, via Retrofit or otherwise, a full-scale commercial isobutanol facility. Despite our experience with the Retrofit of the Agri-Energy Facility, our estimates of the capital costs that we will need to incur to Retrofit a commercial-scale ethanol facility may prove to be inaccurate, and each Retrofit may cost materially more to engineer and build than we currently anticipate. For example, our estimates assume that each plant we Retrofit will be performing at full production capacity, and we may need to expend substantial sums to repair or modify underperforming facilities prior to Retrofit.

Our Retrofit design to convert existing ethanol production capacity to isobutanol production capacity was developed in cooperation with ICM and is based on ICM technology. There is no guarantee that this Retrofit design will be compatible with existing ethanol facilities that do not utilize ICM technology. Before we can Retrofit such facilities, we may need to modify them to be compatible with our Retrofit design. This may require significant additional expenditure of time and money, and there is no guarantee such modification will be successful.

Furthermore, the Retrofit of acquired facilities will be subject to the risks inherent in the build-out of any manufacturing facility, including risks of delays and cost overruns as a result of factors that may be out of our control, such as delays in the delivery of equipment and subsystems or the failure of such equipment to perform as expected once delivered. In addition, we will depend on third-party relationships in expanding our isobutanol production capacity and such third parties may not fulfill their obligations to us under our arrangements with them. Delays, cost overruns or failures in the Retrofit process will slow our commercial production of isobutanol and harm our performance.

Though our Retrofit design for certain facilities will include the capability to switch between isobutanol and ethanol production, or produce both products simultaneously (as demonstrated by our Agri-Energy Facility), we may be unable to successfully revert to ethanol production, or produce both products simultaneously at certain facilities, or such facilities may produce ethanol less efficiently or in lower volumes than they did before the Retrofit. In addition, we may be unable to secure the necessary regulatory approvals and permits to switch between isobutanol and ethanol production, or produce both products simultaneously, in a timely manner, or at all. Thus, if we fail to achieve commercial levels of isobutanol production at a Retrofitted facility, we may be unable to rely on ethanol production as an alternative or additional revenue source, which could have a material adverse effect on our prospects.

Our facilities and process may fail to produce isobutanol at the volumes, rates and costs we expect.

Some or all of the facilities we choose to Retrofit may be in locations distant from corn or other feedstock sources, which could increase our feedstock costs or prevent us from acquiring sufficient feedstock volumes for commercial production. General market conditions might also cause increases in feedstock prices, which could likewise increase our production costs.

Even if we secure access to sufficient volumes of feedstock, the facilities we Retrofit for isobutanol production may fail to perform as expected. The equipment and subsystems installed during the Retrofit may never operate as planned. Our systems may prove incompatible with the original facility, or require additional modification after installation. Our biocatalyst may perform less efficiently than it did in testing, if at all. Contamination of plant equipment may require us to replace our biocatalyst more often than expected, require unplanned installation or replacement of equipment, or cause our fermentation process to yield undesired or harmful by-products. Likewise, our feedstock may contain contaminants like wild yeast, which naturally ferments feedstock into ethanol. The presence of contaminants, such as wild yeast, in our feedstock could reduce the purity of the isobutanol that we produce and require us to invest in more costly isobutanol separation processes or equipment. Unexpected problems may force us to cease or delay production and the time and costs involved with such delays may prove prohibitive. Any or all of these risks could prevent us from achieving the production throughput and yields necessary to achieve our target annualized production run rates and/or to meet the volume demands or minimum requirements of our customers, including pursuant to definitive supply or distribution agreements that we may enter into, which may subject us to monetary damages. Failure to achieve these rates or meet these minimum requirements, or achieving them only after significant additional expenditures, could substantially harm our commercial performance.

We may be unable to produce isobutanol in accordance with customer specifications.

Even if we produce isobutanol at our targeted rates, we may be unable to produce isobutanol that meets customer specifications, including those defined in ASTM D7862 “Standard Specification for Butanol for Blending with Gasoline for Use as Automotive Spark-Ignition Engine Fuel.” We may need to add additional processing steps or incur capital expenditures in order to meet customer specifications which could add significant costs to our production process. For example, at the Agri-Energy Facility we intend to acquire and install a product purification column, which we believe will allow us to achieve our target customers’ product specifications without continuing to rely on third-party contract tolling providers. If we fail to meet specific product or volume specifications contained in a supply agreement, the customer may have the right to seek an alternate supply of isobutanol and/or terminate the agreement completely, and we could be required to pay shortfall fees or otherwise be subject to damages. A failure to successfully meet the specifications of our potential customers could decrease demand, and significantly hinder market adoption of our products.

We lack significant experience operating commercial-scale ethanol and isobutanol facilities, and may encounter substantial difficulties operating commercial plants or expanding our business.

We have very limited experience operating commercial-scale ethanol and isobutanol facilities. Accordingly, we may encounter significant difficulties operating at a commercial scale. We believe that our future facilities will, like the Agri-Energy Facility, be able to continue producing ethanol during much of the Retrofit process. We will need to successfully administer and manage this production. Though ICM and the employees of Agri-Energy and Redfield are experienced in the operation of ethanol facilities, and our future development partners or the entities that we acquire may likewise have such experience, we may be unable to manage ethanol-producing operations, especially given the possible complications associated with a simultaneous Retrofit. Once we complete a commercial Retrofit, operational difficulties may increase, because neither we nor anyone else has significant experience operating a pure isobutanol fermentation facility at a commercial scale. The skills and knowledge gained in operating commercial ethanol

facilities or small-scale isobutanol plants may prove insufficient for successful operation of a large-scale isobutanol facility, and we may be required to expend significant time and money to develop our capabilities in isobutanol facility operation. We may also need to hire new employees or contract with third parties to help manage our operations, and our performance will suffer if we are unable to hire qualified parties or if they perform poorly.

We may face additional operational difficulties as we further expand our production capacity. Integrating new facilities with our existing operations may prove difficult. Rapid growth, resulting from our operation of, or other involvement with, isobutanol facilities or otherwise, may impose a significant burden on our administrative and operational resources. To effectively manage our growth and execute our expansion plans, we will need to expand our administrative and operational resources substantially and attract, train, manage and retain qualified management, technicians and other personnel. We may be unable to do so. Failure to meet the operational challenges of developing and managing increased production of isobutanol and/or ethanol, or failure to otherwise manage our growth, may have a material adverse effect on our business, financial condition and results of operations.

We may have difficulty adapting our technology to commercial-scale fermentation, which could delay or prevent our commercialization of isobutanol.

While we have demonstrated the ability to produce isobutanol under the demonstration plant operating conditions and under commercial scale operating conditions at the Agri-Energy Facility, and we have succeeded in reaching our commercial fermentation performance targets for isobutanol concentration, fermentation productivity and isobutanol yield in laboratory tests, we have not yet reached all performance targets in a commercial plant environment. Ultimately, our yeast biocatalyst may not be able to meet the commercial performance targets at nameplate production capacity in a timely manner, or ever. In addition, the risk of contamination and other problems may increase as we seek to ramp up our production capacity, which could negatively impact our cost of production or require additional capital expenditures to solve for these problems. If we encounter difficulties in optimizing our production, our commercialization of isobutanol and our business, financial condition and results of operations will be materially adversely affected.

We may have difficulties gaining market acceptance and successfully marketing our isobutanol to customers, including chemical producers, fuel distributors and refiners.

A key component of our business strategy is to market our isobutanol to chemical producers, fuels distributors and refiners. We have no experience marketing isobutanol on a commercial scale and we may fail to successfully negotiate marketing agreements in a timely manner or on favorable terms. If we fail to successfully market our isobutanol to refiners, fuels distributors and chemical producers, our business, financial condition and results of operations will be materially adversely affected.

We also intend to market our isobutanol to chemical producers for use in making various chemicals such as isobutylene, a type of butene that can be produced through the dehydration of isobutanol. Although a significant market currently exists for isobutylene produced from petroleum, which is widely used in the production of plastics, specialty chemicals, alkylate for gasoline blending and high octane aviation gasoline, no one has successfully created isobutylene on a commercial scale from bio-isobutanol. Therefore, to gain market acceptance and successfully market our isobutanol to chemical producers, we must show that our isobutanol can be converted into isobutylene at a commercial scale. As no company currently dehydrates commercial volumes of isobutanol into isobutylene, we must demonstrate the large-scale feasibility of the process and reach agreements with companies that are willing to invest in the necessary dehydration infrastructure. Failure to reach favorable agreements with these companies, or the inability of their plants to convert isobutanol into isobutylene at sufficient scale, will slow our development in the chemicals market and could significantly affect our profitability.

Obtaining market acceptance in the chemicals industry is complicated by the fact that many potential chemicals industry customers have invested substantial amounts of time and money in developing petroleum-based production channels. These potential customers generally have well-developed manufacturing processes and arrangements with suppliers of chemical components, and may display substantial resistance to changing these processes. Pre-existing contractual commitments, unwillingness to invest in new infrastructure, distrust of new production methods and lengthy relationships with current suppliers may all slow market acceptance of isobutanol.

A very limited market currently exists for isobutanol as a fuel or as a gasoline blendstock. Therefore, to gain market acceptance and successfully market our isobutanol to fuels distributors and refiners, we must effectively demonstrate the commercial advantages of using isobutanol over other biofuels and blendstocks, as well as our ability to produce isobutanol reliably on a commercial scale at a sufficiently low cost. We must show that isobutanol is compatible with existing infrastructure and does not damage pipes, engines, storage facilities or pumps. We must also overcome marketing and lobbying efforts by producers of other biofuels and blendstocks, including ethanol, many of whom may have greater resources than we do. If the markets for isobutanol as a fuel or as a gasoline blendstock do not develop as

we currently anticipate, or if we are unable to penetrate these markets successfully, our revenue and growth rate could be materially and adversely affected.

We believe that consumer demand for environmentally sensitive products will drive demand among large brand owners for renewable hydrocarbon sources. One of our marketing strategies is to leverage this demand to obtain commitments from large brand owners to purchase products made from our isobutanol by third parties. We believe these commitments will, in turn, promote chemicals industry demand for our isobutanol. If consumer demand for environmentally sensitive products fails to develop at sufficient scale or if such demand fails to drive large brand owners to seek sources of renewable hydrocarbons, our revenue and growth rate could be materially and adversely affected.

We may be reliant on Butamax to develop certain markets for isobutanol.

As part of the License Agreement entered into with Butamax, it was agreed that Butamax would take the lead in developing the markets for on-road gasoline blendstocks. This would entail progressing the required approvals for these markets, as well as managing the marketing and distribution of our isobutanol and our potential licensee's isobutanol in these markets beyond certain minimum volumes. If Butamax is unable to obtain the necessary approvals to sell isobutanol into the on-road gasoline blendstock markets, or if

it is unsuccessful in building market demand for isobutanol as an on-road gasoline blendstock, our revenue and growth rate could be materially and adversely affected.

We may be required to pay Butamax royalties for selling isobutanol into certain markets, which could hinder our ability to competitively sell our isobutanol into those markets.

As part of the License Agreement entered into with Butamax, it was agreed that we, and our potential licensees, may be required to pay Butamax royalties for selling isobutanol into the on-road gasoline blendstock markets and the chemical isobutylene applications markets beyond certain minimum volumes. The addition of these royalties may make our isobutanol uncompetitive from a price perspective, which may hinder our ability to sell into these markets. If this is the case, our revenue and growth rate could be materially and adversely affected.

We may face substantial delays in obtaining regulatory approvals for use of our isobutanol in the fuels and chemicals markets, which could substantially hinder our ability to commercialize our products.

Large-scale commercialization of our isobutanol may require approvals from state and federal agencies. Before we can sell isobutanol as a fuel or as a gasoline blendstock directly to large petroleum refiners, we must receive EPA fuel certification. We have filed an EPA Part 79 registration to move our small business registration to a full registration (including Tier 1 EPA testing), but the approval process may require significant time. Approval can be delayed for years, and there is no guarantee of receiving it.

Additionally, California requires that fuels meet both its fuel certification requirements and a separate state low-carbon fuel standard. Any delay in receiving approval will slow or prevent the commercialization of our isobutanol for fuel markets, which could have a material adverse effect on our business, financial condition and results of operations.

With respect to the chemicals markets, we plan to focus on isobutanol production and sell to companies that can convert our isobutanol into other chemicals, such as isobutylene. However, should we later decide to produce these other chemicals ourselves, we may face similar requirements for EPA and other regulatory approvals. Approval, if ever granted, could be delayed for substantial amounts of time, which could significantly harm the development of our business and prevent the achievement of our goals.

Our isobutanol fermentation process utilizes a genetically modified organism which, when used in an industrial process, is considered a new chemical under the EPA's Toxic Substances Control Act ("TSCA"). The TSCA requires us to comply with the EPA's Microbial Commercial Activity Notice process to operate plants producing isobutanol using our biocatalysts. The TSCA's new chemicals submission policies may change and additional government regulations may be enacted that could prevent or delay regulatory approval of our isobutanol production.

There are various third-party certification organizations, such as ASTM and Underwriters' Laboratories, Inc., involved in standard-setting regarding the transportation, dispensing and use of liquid fuel in the U.S. and abroad. These organizations may change the current standards and additional requirements may be enacted that could prevent or delay approval of our products. The process of seeking required approvals and the continuing need for compliance with applicable standards may require the expenditure of substantial resources, and there is no guarantee that we will satisfy these standards in a timely manner, if ever.

In addition, to Retrofit or otherwise modify ethanol facilities and operate the Retrofitted and modified plants to produce isobutanol, we will need to obtain and comply with a number of permit requirements. As a condition to granting necessary permits, regulators may make demands that could increase our Retrofit, modification or operations costs, and permit conditions could also restrict or limit the extent of our operations, which could delay or prevent our



commercial production of isobutanol. We cannot guarantee that we will be able to meet all regulatory requirements or obtain and comply with all necessary permits to complete our planned ethanol plant Retrofits, and failure to satisfy these requirements in a timely manner, or at all, could have a substantial negative effect on our performance.

Jet fuels must meet various statutory and regulatory requirements before they may be used in commercial aviation. In the U.S., the use of specific jet fuels is regulated by the Federal Aviation Administration (“FAA”). Rather than directly approving specific fuels, the FAA certifies individual aircraft for flight. This certification includes authorization for an aircraft to use the types of fuels specified in its flight manual. To be included in an aircraft’s flight manual, the fuel must meet standards set by ASTM. The current ASTM requirements do not permit the use of jet fuel derived from isobutanol, and we will need to give ASTM sufficient data to justify creating a new standard applicable to ATJ fuel. Though our work testing isobutanol-based ATJ fuel with the U.S. Air Force Research Laboratory has provided us with data we believe ASTM will take into consideration, the process of seeking required approvals and the continuing need for compliance with applicable statutes and regulations will require the expenditure of substantial resources. Failure to obtain regulatory approval in a timely manner, or at all, could have a significant negative effect on our operations.

We may be unable to successfully negotiate final, binding terms related to our current non-binding isobutanol supply and distribution agreements, which could harm our commercial prospects.

In addition to a limited number of definitive supply and distribution agreements, we have agreed to preliminary terms regarding supplying isobutanol or the products derived from it to various companies for their use or further distribution. We may be unable to negotiate final terms with these or other companies in a timely manner, or at all, and there is no guarantee that the terms of any final agreement will be the same or similar to those currently contemplated in our preliminary agreements. Final terms may include less favorable pricing structures or volume commitments, more expensive delivery or purity requirements, reduced contract durations and other adverse changes. Delays in negotiating final contracts could slow our initial isobutanol commercialization, and failure to agree to definitive terms for sales of sufficient volumes of isobutanol could prevent us from growing our business. To the extent that terms in our initial supply and distribution contracts may influence negotiations regarding future contracts, the failure to negotiate favorable final terms related to our current preliminary agreements could have an especially negative impact on our growth and profitability. Additionally, we have not demonstrated that we can meet the production levels contemplated in our current non-binding supply agreements. If our production scale-up proceeds more slowly than we expect, or if we encounter difficulties in successfully completing plant Retrofits, potential customers, including those with whom we have current letters of intent, may be less willing to negotiate definitive supply agreements, or demand terms less favorable to us, and our performance may suffer.

Even if we are successful in consistently producing isobutanol on a commercial scale, we may not be successful in negotiating sufficient supply agreements for our production.

We expect that many of our customers will be large companies with extensive experience operating in the fuels or chemicals markets. As an early stage company, we lack commercial operating experience, and may face difficulties in developing marketing expertise in these fields. Our business model relies upon our ability to successfully negotiate and structure long-term supply agreements for the isobutanol we produce. Certain agreements with existing and potential customers may initially only provide for the purchase of limited quantities from us. For example, our agreement with Alaska Airlines entered into in May 2015 provides for the initial purchase of a limited quantity of our ATJ fuel, and does not obligate Alaska Airlines to purchase any additional quantity of jet fuel in addition to the amount initially purchased. Our ability to increase our sales will depend in large part upon our ability to expand these existing customer relationships into long-term supply agreements. Maintaining and expanding our existing relationships and establishing new ones can require substantial investment without any assurance from customers that they will place significant orders. In addition, many of our potential customers may be more experienced in these matters than we are, and we may fail to successfully negotiate these agreements in a timely manner or on favorable terms which, in turn, may force us to slow our production, delay our acquiring and Retrofitting of additional plants, dedicate additional resources to increasing our storage capacity and/or dedicate resources to sales in spot markets. Furthermore, should we become more dependent on spot market sales, our profitability will become increasingly vulnerable to short-term fluctuations in the price and demand for petroleum-based fuels and competing substitutes.

Even if we are successful in consistently producing isobutanol on a commercial scale, we may not be successful in negotiating pricing terms sufficient to generate positive results from operations at the Agri-Energy Facility.

We expect that many of our customers will be large companies with extensive experience operating in the fuels or chemicals markets. As an early stage company, we lack commercial operating experience, and may face difficulties in developing marketing expertise in these fields. Our business model relies upon our ability to negotiate pricing terms for the isobutanol we produce that generate positive results from the operations of the Agri-Energy Facility. Many of our potential customers may be more experienced in these matters than we are. We may fail to negotiate these agreements in a timely manner, which may force us to dedicate resources to sales in spot markets. If we become more dependent on spot market sales our profitability will become increasingly vulnerable to short-term fluctuations in the

price and demand for our products.

Our isobutanol may encounter physical or regulatory issues, which could limit its usefulness as a gasoline blendstock.

In the gasoline blendstock market, isobutanol can be used in conjunction with, or as a substitute for, ethanol and other widely used fuel oxygenates, and we believe our isobutanol will be physically compatible with typical gasoline engines. However, there is a risk that under actual engine conditions, isobutanol will face significant limitations, making it unsuitable for use in high percentage gasoline blends. Additionally, current regulations limit gasoline blends to low percentages of isobutanol, and also limit combination isobutanol-ethanol blends. Government agencies may maintain or even increase the restrictions on isobutanol gasoline blends. As we believe that the potential to use isobutanol in higher percentage blends than is feasible for ethanol will be an important factor in successfully marketing isobutanol to refiners, a low blend wall could significantly limit commercialization of isobutanol as a gasoline blendstock.

52

---

Our isobutanol may be less compatible with existing refining and transportation infrastructure than we believe, which may hinder our ability to market our product on a large scale.

We developed our business model based on our belief that our isobutanol is fully compatible with existing refinery infrastructure. For example, when making isobutanol blends, we believe that gasoline refineries will be able to pump our isobutanol through their pipes and blend it in their existing facilities without damaging their equipment. If our isobutanol proves unsuitable for such handling, it will be more expensive for refiners to use our isobutanol than we anticipate, and they may be less willing to adopt it as a gasoline blendstock, forcing us to seek alternative purchasers.

Likewise, our plans for marketing our isobutanol are based upon our belief that it will be compatible with the pipes, tanks and other infrastructure currently used for transporting, storing and distributing gasoline. If our isobutanol or products incorporating our isobutanol cannot be transported with this equipment, we will be forced to seek alternative transportation arrangements, which will make our isobutanol and products produced from our isobutanol more expensive to transport and less appealing to potential customers. Reduced compatibility with either refinery or transportation infrastructure may slow or prevent market adoption of our isobutanol, which could substantially harm our performance.

We may be required to obtain additional regulatory approvals for use of our iDGs™ as animal feed, which could delay our ability to sell iDGs™ increasing our net cost of production and harming our operating results.

Many of the ethanol plants we initially plan to Retrofit use dry-milled corn as a feedstock. We plan to sell, as animal feed, the iDGs™ left as a co-product of fermenting isobutanol from dry-milled corn. We believe that this will enable us to offset a significant portion of the expense of purchasing corn for fermentation. We are currently approved to sell iDGs™ as animal feed through a self-assessed Generally Regarded as Safe (“GRAS”) process via third party scientific review. In order to improve the value of our iDGs™, we are also in the process of obtaining U.S. Food and Drug Administration (“FDA”) approval for the marketing of our iDGs™. We believe obtaining FDA approval will increase the value of our iDGs™ by offering customers of our iDGs™ further assurance of the safety of our iDGs™. If we make changes in our biocatalyst whereby we can no longer rely on our GRAS process, we would be required to obtain FDA approval for marketing our iDGs™. FDA testing and approval can take a significant amount of time, and there is no guarantee that we will ever receive such approval. While we have sold initial quantities of our iDGs™ from the Agri-Energy Facility, if FDA approval is delayed or never obtained, or if we are unable to secure market acceptance for our iDGs™, our net cost of production will increase, which may hurt our operating results.

Our development strategy relies heavily on our relationship with ICM.

In October 2008, we entered into a development agreement and a commercialization agreement with ICM, each of which has since been amended. Pursuant to the terms of the development agreement, ICM engineers helped us install the equipment necessary to test and develop our isobutanol fermentation process at ICM’s one MGPY ethanol demonstration facility, and ICM agreed to assist us in running and maintaining the converted plant. We have used the demonstration plant to improve our biocatalysts and to develop processes for commercial-scale production of isobutanol. Under the commercialization agreement, as amended, ICM serves as our exclusive engineering, procurement and construction (“EPC”) contractor for the new construction and Retrofit of ethanol plants utilizing dry milled feedstocks of corn or grain sorghum in North America, and we serve as ICM’s exclusive technology partner for the production of butanols, pentanols and propanols from the fermentation of sugars. In August 2011, we entered into a work agreement with ICM. Pursuant to the terms of the work agreement, ICM provides EPC services for the Retrofit of ethanol plants.

Because ICM has designed a significant number of the current operating ethanol production facilities in the U.S., we believe that our alliance with ICM will allow us to more quickly achieve commercial-scale production of isobutanol.

However, ICM may fail to fulfill its obligations to us under our agreements and under certain circumstances, such as a breach of confidentiality by us, can terminate the agreements. In addition, ICM may assign the agreements without our consent in connection with a change of control. Since adapting our technology to commercial-scale production of isobutanol and then Retrofitting ethanol plants to use our technology is a major part of our commercialization strategy, losing our alliance with ICM would slow our technological and commercial development. It could also force us to find a new contractor with less experience than ICM in designing and building ethanol plants, or to invest the time and resources necessary to Retrofit plants on our own. Such Retrofits may be less successful than if performed by ICM engineers, and Retrofitted plants might operate less efficiently than expected. This could substantially hinder our ability to expand our production capacity, and could severely impact our performance. If ICM fails to fulfill its obligations to us under our agreements and our competitors obtain access to ICM's expertise, our ability to realize continued development and commercial benefits from our alliance could be affected. Accordingly, if we lose our alliance with ICM, if ICM terminates or breaches its agreements with us, or if ICM assigns its agreements with us to a competitor of ours or to a third party that is not willing to work with us on the same terms or commit the same resources, our business and prospects could be harmed.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our technologies.

We may, subject to certain limitations in the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint, seek additional capital through a combination of public and private equity offerings, debt financings, strategic partnerships and licensing arrangements. To the extent that we raise additional capital through the sale or issuance of equity, warrants or convertible debt securities, the ownership interests of our existing shareholders will be diluted, and the terms of such securities may include liquidation or other preferences that adversely affect their rights as stockholders. If we raise capital through debt financing, it may involve agreements that include covenants further limiting or restricting our ability to take certain actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through strategic partnerships or licensing agreements with third parties, we may have to relinquish valuable rights to our technologies, or grant licenses on terms that are not favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate our development and commercialization efforts.

Our quarterly operating results may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of investment research analysts or investors, which could cause our stock price to decline.

Our financial condition and operating results have varied significantly in the past and may continue to fluctuate from quarter to quarter and year to year in the future due to a variety of factors, many of which are beyond our control. Factors relating to our business that may contribute to these fluctuations are described elsewhere in this Report and other reports that we have filed with the SEC. Accordingly, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

A sustained low oil price environment may negatively impact the price we receive for the sale of our isobutanol, ethanol and hydrocarbon products.

Many of our end-products such as isobutanol, ethanol and hydrocarbon products have some level of price correlation with crude oil. If crude oil prices were to remain at low levels over a sustained period of time, this may have an impact on the pricing that we are able to achieve in the marketplace for many of those end-products. This may cause us to operate at a lower, or negative, operating margins, and as a result, our management may decide to reduce or suspend production of ethanol and/or isobutanol at the Agri-Energy Facility. Unfavorable operating margins may also impact our ability to access and Retrofit, either independently or with potential development partners or licensees, existing ethanol facilities for the production of isobutanol for commercial distribution and sale.

Reductions or changes to existing regulations and policies may present technical, regulatory and economic barriers, all of which may significantly reduce demand for biofuels or our ability to supply isobutanol.

The market for biofuels is heavily influenced by foreign, federal, state and local government regulations and policies. For example, in 2007, the U.S. Congress passed an alternative fuels mandate that required nearly 14 billion gallons of liquid transportation fuels sold in 2011 to come from alternative sources, including biofuels, a mandate that grows to 36 billion gallons by 2022. Of this amount, a minimum of 21 billion gallons must be advanced biofuels as defined by the U.S. Congress. In the U.S., and in a number of other countries, these regulations and policies have been modified in the past and may be modified again in the future. Any reduction in mandated requirements for fuel alternatives and additives to gasoline may cause the demand for biofuels to decline and deter investment in the research and development of biofuels. For example, the Energy and Commerce Committee of the U.S. House of Representatives has undertaken an assessment of the Renewable Fuel Standard (“RFS”) program and has published five white papers on the subject during the current congressional period. The EPA has also said that it plans to assess the E10 blendwall and current infrastructure and market-based limitations to the consumption of ethanol in gasoline-ethanol blends

above E10. In particular, the EPA is proposing to cut the volume requirements for advanced biofuels by more than 40% when compared to the requirements currently written into the statute. This proposal has created significant concerns throughout the biofuels industry, many of which were voiced by the biofuels industry during the public comment period. This type of legislative activity can create concern in the marketplace about the long-term sustainability of governmental policies. The absence of tax credits, subsidies and other incentives in the U.S. and foreign markets for biofuels, or any inability of our customers to access such credits, subsidies and incentives, may adversely affect demand for our products, which would adversely affect our business. The resulting market uncertainty regarding current and future standards and policies may also affect our ability to develop new renewable products or to license our technologies to third parties and to sell products to our end customers.

Concerns associated with biofuels, including land usage, national security interests and food crop usage, continue to receive legislative, industry and public attention. This attention could result in future legislation, regulation and/or administrative action that could adversely affect our business. Any inability to address these requirements and any regulatory or policy changes could have a material adverse effect on our business, financial condition and results of operations.

Additionally, like the ethanol facilities that we Retrofit, our isobutanol plants will emit greenhouse gases. Any changes in state or federal emissions regulations, including the passage of cap-and-trade legislation or a carbon tax, could limit our production of isobutanol and iDGs™ and increase our operating costs, which could have a material adverse effect on our business, financial condition and results of operations.

If we engage in additional acquisitions, we will incur a variety of costs and may potentially face numerous risks that could adversely affect our business and operations.

If appropriate opportunities become available, we may acquire businesses, assets, technologies or products to enhance our business in the future. In connection with any future acquisitions, we could, subject to certain limitations in the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint:

- issue additional equity securities which would dilute our current stockholders;
- incur substantial debt to fund the acquisitions; or
- assume significant liabilities.

Acquisitions involve numerous risks, including problems integrating the purchased operations, technologies or products, unanticipated costs and other liabilities, diversion of management's attention from our core business, adverse effects on existing business relationships with current and/or prospective partners, customers and/or suppliers, risks associated with entering markets in which we have no or limited prior experience and potential loss of key employees. Other than our acquisition of Agri-Energy, we have not engaged in acquisitions in the past, and do not have experience in managing the integration process. Therefore, we may not be able to successfully integrate any businesses, assets, products, technologies or personnel that we might acquire in the future without a significant expenditure of operating, financial and management resources, if at all. The integration process could divert management time from focusing on operating our business, result in a decline in employee morale and cause retention issues to arise from changes in compensation, reporting relationships, future prospects or the direction of the business. In addition, we may acquire companies that have insufficient internal financial controls, which could impair our ability to integrate the acquired company and adversely impact our financial reporting. If we fail in our integration efforts with respect to acquisitions and are unable to efficiently operate as a combined organization, our business, financial condition and results of operations may be materially adversely affected.

If we engage in additional joint ventures, we will incur a variety of costs and may potentially face numerous risks that could adversely affect our business and operations.

If appropriate opportunities become available, we may enter into joint ventures with the owners of existing ethanol production facilities in order to acquire access to additional isobutanol production capacity. We currently anticipate that in each such joint venture, the ethanol producer would contribute access to its existing ethanol production facility and we would be responsible for Retrofitting such facility to produce isobutanol. Upon completion of the Retrofit, and in some cases the attainment of certain performance targets, both parties to the joint venture would receive a portion of the profits from the sale of isobutanol, consistent with our business model. In connection with these joint ventures, we could incur substantial debt to fund the Retrofit of the accessed facilities and we could assume significant liabilities.

Realizing the anticipated benefits of joint ventures, including projected increases to production capacity and additional revenue opportunities, involves a number of potential challenges. The failure to meet these challenges could seriously harm our financial condition and results of operations. Joint ventures are complex and time-consuming and we may encounter unexpected difficulties or incur unexpected costs related to such arrangements, including:

- difficulties negotiating joint venture agreements with favorable terms and establishing relevant performance metrics;
- difficulties completing the Retrofits of the accessed facilities using our integrated fermentation technology;



Edgar Filing: Gevo, Inc. - Form 10-Q

- the inability to meet applicable performance targets related to the production of isobutanol;
- difficulties obtaining the permits and approvals required to produce and sell our products in different geographic areas;
- complexities associated with managing the geographic separation of accessed facilities;
- diversion of management attention from ongoing business concerns to matters related to the joint ventures;
- difficulties maintaining effective relationships with personnel from different corporate cultures; and
- the inability to generate sufficient revenue to offset Retrofit costs.

55

---

Additionally, our joint venture partners may have liabilities or adverse operating issues that we fail to discover through due diligence prior to entering into the joint ventures. In particular, to the extent that our joint venture partners failed to comply with or otherwise violated applicable laws or regulations, or failed to fulfill their contractual obligations, we may suffer financial harm and/or reputational harm for these violations or otherwise be adversely affected.

Our joint venture partners may have significant amounts of existing debt and may not be able to service their existing debt obligations, which could cause the failure of a specific project and the loss by us of any investment we have made to Retrofit the facilities owned by the joint venture partner. In addition, if we are unable to meet specified performance targets related to the production of isobutanol at a facility owned by one of our joint venture partners, we may never become eligible to receive a portion of the profits of the joint venture and may be unable to recover the costs of Retrofitting the facility.

Additionally, we plan to be the sole marketer for all isobutanol and co-products produced using our proprietary technology and sold in markets other than on-road gasoline blendstocks including, without limitation, all isobutanol that is produced by any facilities that we access via joint venture. Marketing agreements can be very complex and the obligations that we assume as the sole marketer of isobutanol may be time consuming. We have no experience marketing isobutanol on a commercial scale and we may fail to successfully negotiate marketing agreements in a timely manner or on favorable terms. If we fail to successfully market the isobutanol produced using our proprietary technology to refiners and chemical producers, our business, financial condition and results of operations will be materially adversely affected.

If we lose key personnel, including key management personnel, or are unable to attract and retain additional personnel, it could delay our product development programs and harm our research and development efforts, we may be unable to pursue partnerships or develop our own products and it may trigger an event of default under the agreements governing our indebtedness, including our secured indebtedness with TriplePoint.

Our business is complex and we intend to target a variety of markets. Therefore, it is critical that our management team and employee workforce are knowledgeable in the areas in which we operate. The loss of any key members of our management, including our named executive officers, or the failure to attract or retain other key employees who possess the requisite expertise for the conduct of our business, could prevent us from developing and commercializing our products for our target markets and entering into partnerships or licensing arrangements to execute our business strategy. In addition, the loss of any key scientific staff, or the failure to attract or retain other key scientific employees, could prevent us from developing and commercializing our products for our target markets and entering into partnerships or licensing arrangements to execute our business strategy. We may not be able to attract or retain qualified employees in the future due to the intense competition for qualified personnel among biotechnology and other technology-based businesses, particularly in the advanced biofuels area, or due to the limited availability of personnel with the qualifications or experience necessary for our renewable chemicals and advanced biofuels business. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience staffing constraints that will adversely affect our ability to meet the demands of our partners and customers in a timely fashion or to support our internal research and development programs. In particular, our product and process development programs are dependent on our ability to attract and retain highly skilled scientists. Competition for experienced scientists and other technical personnel from numerous companies and academic and other research institutions may limit our ability to do so on acceptable terms. Additionally, certain changes in our management could trigger an event of default under the agreements governing our indebtedness, including our secured indebtedness with TriplePoint, and we could be forced to pay the outstanding balance of the loan(s) in full. All of our employees are at-will employees, meaning that either the employee or we may terminate their employment at any time.

Our planned activities will require additional expertise in specific industries and areas applicable to the products and processes developed through our technology platform or acquired through strategic or other transactions, especially in the end markets that we seek to penetrate. These activities will require the addition of new personnel, and the development of additional expertise by existing personnel. The inability to attract personnel with appropriate skills or to develop the necessary expertise could impair our ability to grow our business.

Our ability to compete may be adversely affected if we do not adequately protect our proprietary technologies or if we lose some of our intellectual property rights through costly litigation or administrative proceedings.

Our success will depend in part on our ability to obtain patents and maintain adequate protection of our intellectual property covering our technologies and products and potential products in the U.S. and other countries. We have adopted a strategy of seeking patent protection in the U.S. and in certain foreign countries with respect to certain of the technologies used in or relating to our products and processes. As such, as of September 30, 2015, we exclusively licensed rights to approximately 106 issued patents and filed patent applications in the U.S. and in various foreign jurisdictions, and we owned rights to approximately 418 issued patents and filed patent applications in the U.S. and in various foreign jurisdictions. When and if issued, patents would expire at the end of their term and any patent would only provide us commercial advantage for a limited period of time, if at all. Our patent applications are directed to our enabling technologies and to our methods and products which support our business in the advanced biofuels and

renewable chemicals markets. We intend to continue to apply for patents relating to our technologies, methods and products as we deem appropriate.

Only approximately 37 of the patent applications that we have filed in the U.S. or in any foreign jurisdictions, and only certain of the patent applications filed by third parties in which we own rights, have been issued. A filed patent application does not guarantee a patent will issue and a patent issuing does not guarantee its validity, nor does it give us the right to practice the patented technology or commercialize the patented product. Third parties may have or obtain rights to “blocking patents” that could be used to prevent us from commercializing our products or practicing our technology. The scope and validity of patents and success in prosecuting patent applications involve complex legal and factual questions and, therefore, issuance, coverage and validity cannot be predicted with any certainty. Patents issuing from our filed applications may be challenged, invalidated or circumvented. Moreover, third parties could practice our inventions in secret and in territories where we do not have patent protection. Such third parties may then try to sell or import products made using our inventions in and into the U.S. or other territories and we may be unable to prove that such products were made using our inventions. Additional uncertainty may result from implementation of the Leahy-Smith America Invents Act, enacted in September 2011, as well as other potential patent reform legislation passed by the U.S. Congress and from legal precedent handed down by the Federal Circuit Court and the U.S. Supreme Court, as they determine legal issues concerning the scope, validity and construction of patent claims. Because patent applications in the U.S. and many foreign jurisdictions are typically not published until 18 months after filing, or in some cases not at all, and because publication of discoveries in the scientific literature often lags behind the actual discoveries, there is additional uncertainty as to the validity of any patents that may issue and the potential for “blocking patents” coming into force at some future date. Accordingly, we cannot ensure that any of our currently filed or future patent applications will result in issued patents, or even if issued, predict the scope of the claims that may issue in our and other companies’ patents. Several of our issued patents are being challenged in regulatory proceedings before the USPTO. These proceedings may result in the claims being amended or canceled. If the claims are amended or canceled, the scope of our patents claims may be narrowed, which may reduce the scope of protection afforded by our patent portfolio. Given that the degree of future protection for our proprietary rights is uncertain, we cannot ensure that (i) we were the first to make the inventions covered by each of our filed applications, (ii) we were the first to file patent applications for these inventions, (iii) the proprietary technologies we develop will be patentable, (iv) any patents issued will be broad enough in scope to provide commercial advantage and prevent circumvention, and (v) competitors and other parties do not have or will not obtain patent protection that will block our development and commercialization activities.

These concerns apply equally to patents we have licensed, which may likewise be challenged, invalidated or circumvented, and the licensed technologies may be obstructed from commercialization by competitors’ “blocking patents.” In addition, we generally do not control the patent prosecution and maintenance of subject matter that we license from others. Generally, the licensors are primarily or wholly responsible for the patent prosecution and maintenance activities pertaining to the patent applications and patents we license, while we may only be afforded opportunities to comment on such activities. Accordingly, we are unable to exercise the same degree of control over licensed intellectual property as we exercise over our own intellectual property and we face the risk that our licensors will not prosecute or maintain it as effectively as we would like.

In addition, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our intellectual property is difficult, particularly where, as here, the end products reaching the market generally do not reveal the processes used in their manufacture, and particularly in certain foreign countries where the local laws may not protect our proprietary rights as fully as in the U.S., so we cannot be certain that the steps we have taken in obtaining intellectual property and other proprietary rights will prevent unauthorized use of our technology. If competitors are able to use our technology without our authorization, our ability to compete effectively could be adversely affected. Moreover, competitors and other parties such as universities may independently develop and obtain patents for technologies that are similar to or superior to our technologies. If that

happens, the potential competitive advantages provided by our intellectual property may be adversely affected. We may then need to license these competing technologies, and we may not be able to obtain licenses on reasonable terms, if at all, which could cause material harm to our business. Accordingly, litigation may be necessary for us to assert claims of infringement, enforce patents we own or license, protect trade secrets or determine the enforceability, scope and validity of the intellectual property rights of others.

Our commercial success also depends in part on not infringing patents and proprietary rights of third parties, and not breaching any licenses or other agreements that we have entered into with regard to our technologies, products and business. We cannot be certain that patents have not or will not issue to third parties that could block our ability to obtain patents or to operate our business as we would like, or at all. There may be patents in some countries that, if valid, may block our ability to commercialize products in those countries if we are unsuccessful in circumventing or acquiring rights to these patents. There may also be claims in patent applications filed in some countries that, if granted and valid, may also block our ability to commercialize products or processes in these countries if we are unable to circumvent or license them.

As is commonplace in the biotechnology industries, some of our directors, employees and consultants are or have been employed at, or associated with, companies and universities that compete with us or have or will develop similar technologies and related intellectual property. While employed at these companies, these employees, directors and consultants may have been exposed

to or involved in research and technology similar to the areas of research and technology in which we are engaged. Though we have not received such a complaint, we may be subject to allegations that we, our directors, employees or consultants have inadvertently or otherwise used, misappropriated or disclosed alleged trade secrets or confidential or proprietary information of those companies. Litigation may be necessary to defend against such allegations and the outcome of any such litigation would be uncertain.

Under some of our research agreements, our partners share joint rights in certain intellectual property we develop. For example, under our development agreement with ICM, we have exclusive rights to all intellectual property developed within the defined scope of the project, but all other intellectual property developed pursuant to the agreement is to be jointly owned. Such provisions may limit our ability to gain commercial benefit from some of the intellectual property we develop, and may lead to costly or time-consuming disputes with parties with whom we have commercial relationships over rights to certain innovations.

If any other party has filed patent applications or obtained patents that claim inventions also claimed by us, we may have to participate in interference, derivation or other proceedings declared by the USPTO to determine priority of invention and, thus, the right to the patents for these inventions in the U.S. These proceedings could result in substantial cost to us even if the outcome is favorable. Even if successful, such a proceeding may result in the loss of certain claims. Even successful outcomes of such proceedings could result in significant legal fees and other expenses, diversion of management time and efforts and disruption in our business. Uncertainties resulting from initiation and continuation of any patent or related litigation could harm our ability to compete.

If our biocatalysts, or the genes that code for our biocatalysts, are stolen, misappropriated or reverse engineered, others could use these biocatalysts or genes to produce competing products.

Third parties, including our contract manufacturers, customers and those involved in shipping our biocatalysts, may have custody or control of our biocatalysts. If our biocatalysts, or the genes that code for our biocatalysts, were stolen, misappropriated or reverse engineered, they could be used by other parties who may be able to reproduce these biocatalysts for their own commercial gain. If this were to occur, it would be difficult for us to discover or challenge this type of use, especially in countries with limited intellectual property protection.

We may not be able to enforce our intellectual property rights throughout the world.

The laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the U.S. Many companies have encountered significant problems in protecting and enforcing intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to bioindustrial technologies. This could make it difficult for us to stop the infringement of our patents or misappropriation of our other intellectual property rights. Proceedings to enforce our patents and other proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to enforce our intellectual property rights in such countries may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop.

Confidentiality agreements with employees and others may not adequately prevent disclosures of trade secrets and other proprietary information.

We rely in part on trade secret protection to protect our confidential and proprietary information and processes. However, trade secrets are difficult to protect. We have taken measures to protect our trade secrets and proprietary information, but these measures may not be effective. We require new employees and consultants to execute confidentiality agreements upon the commencement of an employment or consulting arrangement with us. These

agreements generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. These agreements also generally provide that know-how and inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. Nevertheless, these agreements may not be enforceable, our proprietary information may be disclosed, third parties could reverse engineer our biocatalysts and others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position. In addition, an unauthorized breach in our information technology systems may expose our trade secrets and other proprietary information to unauthorized parties.

We have received funding from U.S. government agencies, which could negatively affect our intellectual property rights.

Some of our research has been funded by grants from U.S. government agencies. When new technologies are developed with U.S. government funding, the government obtains certain rights in any resulting patents and technical data, generally including, at a minimum, a nonexclusive license authorizing the government to use the invention or technical data for noncommercial purposes. U.S.

government funding must be disclosed in any resulting patent applications, and our rights in such inventions will normally be subject to government license rights, periodic progress reporting, foreign manufacturing restrictions and march-in rights. March-in rights refer to the right of the U.S. government, under certain limited circumstances, to require us to grant a license to technology developed under a government grant to a responsible applicant or, if we refuse, to grant such a license itself. March-in rights can be triggered if the government determines that we have failed to work sufficiently towards achieving practical application of a technology or if action is necessary to alleviate health or safety needs, to meet requirements of federal regulations or to give preference to U.S. industry. If we breach the terms of our grants, the government may gain rights to the intellectual property developed in our related research. The government's rights in our intellectual property may lessen its commercial value, which could adversely affect our performance.

Our government grants are subject to uncertainty, which could harm our business and results of operations.

We have received various government grants, including a cooperative agreement, to complement and enhance our own resources. We may seek to obtain government grants and subsidies in the future to offset all or a portion of the costs of Retrofitting existing ethanol manufacturing facilities and the costs of our research and development activities. We cannot be certain that we will be able to secure any such government grants or subsidies. Any of our existing grants or new grants that we may obtain may be terminated, modified or recovered by the granting governmental body under certain conditions.

We may also be subject to audits by government agencies as part of routine audits of our activities funded by our government grants. As part of an audit, these agencies may review our performance, cost structures and compliance with applicable laws, regulations and standards. Funds available under grants must be applied by us toward the research and development programs specified by the granting agencies, rather than for all of our programs generally. If any of our costs are found to be allocated improperly, the costs may not be reimbursed and any costs already reimbursed may have to be refunded. Accordingly, an audit could result in an adjustment to our revenues and results of operations.

We may face substantial competition, which could adversely affect our performance and growth.

We may face substantial competition in the markets for isobutanol, ethanol, polyester, rubber, plastics, fibers, other polymers and hydrocarbon fuels. Our competitors include companies in the incumbent petroleum-based industry as well as those in the nascent biorenewable industry. The incumbent petroleum-based industry benefits from a large established infrastructure, production capability and business relationships. The incumbents' greater resources and financial strength provide significant competitive advantages that we may not be able to overcome in a timely manner. Academic and government institutions may also develop technologies which will compete with us in the chemicals, solvents and blendstock markets.

The biorenewable industry is characterized by rapid technological change. Our future success will depend on our ability to maintain a competitive position with respect to technological advances. Technological development by others may impact the competitiveness of our products in the marketplace. Competitors and potential competitors who have greater resources and experience than we do may develop products and technologies that make ours obsolete or may use their greater resources to gain market share at our expense.

In the production of isobutanol, we face competition from Butamax. Additionally, a number of companies including Cathay Industrial Biotech, Ltd., Green Biologics Ltd., METabolic Explorer, S.A. and, Eastman Chemical Company (which acquired TetraVitae Bioscience, Inc. in November 2011) are developing n-butanol production capability from a variety of renewable feedstocks.



In the ethanol market, we operate in a highly competitive industry in the U. S. According to the Renewable Fuels Association, there are over 200 ethanol facilities in the U. S. with an installed nameplate capacity of almost 15 billion gallons. Some of the key competitors in the U.S. include Archer-Daniels-Midland Company, POET, LLC, Valero Energy Corporation and Green Plains Renewable Energy, Inc. We also face competition from foreign producers of ethanol. Brazil is believed to be the world's second largest ethanol producing country. Many producers have much larger production capacities and operate at a lower cost of production than we do. As a result, these companies may be able to compete more effectively in narrower commodity margin environments.

In the polyester, rubber, plastics, fibers and other polymers markets, we face competition from incumbent petroleum-derived products, other renewable isobutanol producers and renewable n-butanol producers. Our competitive position versus the incumbent petroleum-derived products and other renewable butanol producers may not be favorable. Petroleum-derived products have dominated the market for many years and there is substantial existing infrastructure for production from petroleum sources, which may impede our ability to establish a position in these markets. Other isobutanol and n-butanol companies may develop technologies that prove more effective than our isobutanol production technology, or such companies may be more adept at marketing their production. Additionally, one small company in France, Global Bioenergies, S.A., is pursuing the production of isobutylene from renewable carbohydrates directly. Since conversion of isobutanol to butenes such as isobutylene is a key step in producing many polyester,

rubber, plastics, fibers and other polymers from our isobutanol, this direct production of renewable isobutylene, if successful, could limit our opportunities in these markets.

In the gasoline blendstock market, we will compete with our isobutanol against renewable ethanol producers (including those working to produce ethanol from cellulosic feedstocks), producers of alkylate from petroleum and producers of other blendstocks, all of whom may reduce our ability to obtain market share or maintain our price levels. For example, Coskata, Inc. is developing a hybrid thermochemical-biocatalytic process to produce ethanol from a variety of feedstocks. If any of these competitors succeed in producing blendstocks more efficiently, in higher volumes or offering superior performance than our isobutanol, our financial performance may suffer. Furthermore, if our competitors have more success marketing their products or reach development or supply agreements with major customers, our competitive position may also be harmed.

In the production of other biofuels, key competitors include Shell Oil Company, BP, DuPont-Danisco Cellulosic Ethanol LLC, Abengoa Bioenergy, S.A., POET, LLC, ICM, Mascoma Corporation, Inbicon A/S, INEOS New Planet BioEnergy LLC, Coskata, Inc., Archer Daniels Midland Company, BlueFire Ethanol, Inc., KL Energy Corporation, ZeaChem Inc., Iogen Corporation, Qteros, Inc., AE Biofuels, Inc. and many smaller startup companies. If these companies are successful in establishing low cost cellulosic ethanol or other fuel production, it could negatively impact the market for our isobutanol as a gasoline blendstock.

In the markets for the hydrocarbon fuels that we plan to produce from our isobutanol, we will face competition from the incumbent petroleum-based fuels industry. The incumbent petroleum-based fuels industry makes the vast majority of the world's gasoline, jet and diesel fuels and blendstocks. It is a mature industry with a substantial base of infrastructure for the production and distribution of petroleum-derived products. The size, established infrastructure and significant resources of many companies in this industry may put us at a substantial competitive disadvantage and delay or prevent the establishment and growth of our business in the market for hydrocarbon fuels.

Biofuels companies may also provide substantial competition in the hydrocarbon fuels market. With respect to production of renewable gasoline, biofuels competitors are numerous and include both large established companies and numerous startups. For example, Virent Energy Systems, Inc. has developed a process for making gasoline and gasoline blendstocks and Kior, Inc. has developed a technology platform to convert biomass into renewable crude oil. Many other competitors may do so as well. In the jet fuel market, we will face competition from companies such as Synthetic Genomics, Inc., Solazyme, Inc., Sapphire Energy, Inc. and Exxon-Mobil Corporation that are pursuing production of jet fuel from algae-based technology. Renewable Energy Group, Inc. and others are also targeting production of jet fuels from renewable biomass. We may also face competition from companies working to produce jet fuel from hydrogenated fatty acid methyl esters. In the diesel fuels market, competitors such as Amyris Biotechnologies, Inc. and Renewable Energy Group, Inc. have developed technologies for production of alternative hydrocarbon diesel fuel.

In the polyester, rubber, plastics, fibers and other polymers markets and the hydrocarbon fuels market, we expect to face vigorous competition from existing technologies. The companies we may compete with may have significantly greater access to resources, far more industry experience and/or more established sales and marketing networks. Additionally, since we do not plan to produce most of these products directly, we will depend on the willingness of potential customers to purchase and convert our isobutanol into their products. These potential customers generally have well-developed manufacturing processes and arrangements with suppliers of the chemical components of their products and may have a resistance to changing these processes and components. These potential customers frequently impose lengthy and complex product qualification procedures on their suppliers, influenced by consumer preference, manufacturing considerations such as process changes and capital and other costs associated with transitioning to alternative components, supplier operating history, regulatory issues, product liability and other factors, many of which are unknown to, or not well understood by, us. Satisfying these processes may take many

months or years. If we are unable to convince these potential customers that our isobutanol is comparable or superior to the alternatives that they currently use, we will not be successful in entering these markets and our business will be adversely affected.

We also face challenges in marketing our isobutanol or products derived from our isobutanol. Though we intend to enhance our competitiveness through partnerships and joint development agreements, some competitors may gain an advantage by securing more valuable partnerships for developing their hydrocarbon products than we are able to obtain. Such partners could include major petrochemical, refiner or end-user companies. Additionally, petrochemical companies may develop alternative pathways for hydrocarbon production that may be less expensive, and may utilize more readily available infrastructure than that used to convert our isobutanol into hydrocarbon products.

We plan to enter into partnerships through which we will sell significant volumes of our isobutanol to partners who will convert it into useful hydrocarbons or use it as a fuel or as a gasoline blendstock. However, if any of these partners instead negotiate supply agreements with other buyers for the isobutanol they purchase from us, or sell it into the open market, they may become competitors of ours in the field of isobutanol sales. This could significantly reduce our profitability and hinder our ability to negotiate future supply agreements for our isobutanol, which could have an adverse effect on our performance.

Our ability to compete successfully will depend on our ability to develop proprietary products that reach the market in a timely manner and are technologically superior to and/or are less expensive than other products on the market. Many of our competitors have substantially greater production, financial, research and development, personnel and marketing resources than we do. In addition, certain of our competitors may also benefit from local government subsidies and other incentives that are not available to us. As a result, our competitors may be able to develop competing and/or superior technologies and processes, and compete more aggressively and sustain that competition over a longer period of time than we could. Our technologies and products may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by one or more of our competitors. As more companies develop new intellectual property in our markets, the possibility of a competitor acquiring patent or other rights that may limit our products or potential products increases, which could lead to litigation. Furthermore, to secure purchase agreements from certain customers, we may be required to enter into exclusive supply contracts, which could limit our ability to further expand our sales to new customers. Likewise, major potential customers may be locked into long-term, exclusive agreements with our competitors, which could inhibit our ability to compete for their business.

In addition, various governments have recently announced a number of spending programs focused on the development of clean technologies, including alternatives to petroleum-based fuels and the reduction of carbon emissions. Such spending programs could lead to increased funding for our competitors or a rapid increase in the number of competitors within those markets.

Our limited resources relative to many of our competitors may cause us to fail to anticipate or respond adequately to new developments and other competitive pressures. This failure could reduce our competitiveness and market share, adversely affect our results of operations and financial position and prevent us from obtaining or maintaining profitability.

Business interruptions could delay us in the process of developing our products and could disrupt our sales.

We are vulnerable to natural disasters and other events that could disrupt our operations, such as riots, civil disturbances, war, terrorist acts, floods, infections in our laboratory or production facilities or those of our contract manufacturers and other events beyond our control. We do not have a detailed disaster recovery plan. In addition, we may not carry sufficient business interruption insurance to compensate us for losses that may occur. Any losses or damages we incur could have a material adverse effect on our cash flows and success as an overall business. Furthermore, ICM may terminate our commercialization agreement if a force majeure event interrupts our operations for a specified period of time.

We may engage in hedging transactions, which could harm our business.

We have historically engaged in hedging transactions to offset some of the effects of volatility in commodity prices. We have generally followed a policy of using exchange-traded futures contracts to reduce our net position in agricultural commodity inventories and forward purchase contracts to manage price risk. Hedging activities may cause us to suffer losses, such as if we purchase a position in a declining market or sell a position in a rising market. Furthermore, hedging exposes us to the risk that we may have under- or over-estimated our need for a specific commodity or that the other party to a hedging contract may default on its obligation. If there are significant swings in commodity prices, or if we purchase more corn for future delivery than we can process, we may have to pay to terminate a futures contract, resell unneeded corn inventory at a loss, or produce our products at a loss, all of which would have a material adverse effect on our financial performance. We may vary the hedging strategies we undertake, which could leave us more vulnerable to increases in commodity prices or decreases in the prices of isobutanol, distiller's grains, iDGs<sup>TM</sup> or ethanol. Losses from hedging activities and changes in hedging strategy could have a material adverse effect on our operations.

Ethical, legal and social concerns about genetically engineered products and processes, and similar concerns about feedstocks grown on land that could be used for food production, could limit or prevent the use of our products, processes and technologies and limit our revenues.

Some of our processes involve the use of genetically engineered organisms or genetic engineering technologies. Additionally, our feedstocks may be grown on land that could be used for food production, which subjects our feedstock sources to “food versus fuel” concerns. If we are not able to overcome the ethical, legal and social concerns relating to genetic engineering or food versus fuel, our products and processes may not be accepted. Any of the risks discussed below could result in increased expenses, delays or other impediments to our programs or the public acceptance and commercialization of products and processes dependent on our technologies or inventions.

Our ability to develop and commercialize one or more of our technologies, products, or processes could be limited by the following factors:

- public attitudes about the safety and environmental hazards of, and ethical concerns over, genetic research and genetically engineered products and processes, which could influence public acceptance of our technologies, products and processes;
- public attitudes regarding and potential changes to laws governing ownership of genetic material, which could harm our intellectual property rights with respect to our genetic material and discourage others from supporting, developing or commercializing our products, processes and technologies;
- public attitudes and ethical concerns surrounding production of feedstocks on land which could be used to grow food, which could influence public acceptance of our technologies, products and processes;
- governmental reaction to negative publicity concerning genetically engineered organisms, which could result in greater government regulation of genetic research and derivative products; and
- governmental reaction to negative publicity concerning feedstocks produced on land which could be used to grow food, which could result in greater government regulation of feedstock sources.

The subjects of genetically engineered organisms and food versus fuel have received negative publicity, which has aroused public debate. This adverse publicity could lead to greater regulation and trade restrictions on imports of genetically engineered products or feedstocks grown on land suitable for food production.

The biocatalysts that we develop have significantly enhanced characteristics compared to those found in naturally occurring enzymes or microbes. While we produce our biocatalysts only for use in a controlled industrial environment, the release of such biocatalysts into uncontrolled environments could have unintended consequences. Any adverse effect resulting from such a release could have a material adverse effect on our business and financial condition, and we may be exposed to liability for any resulting harm.

We use hazardous materials in our business and we must comply with environmental laws and regulations. Any claims relating to improper handling, storage or disposal of these materials or noncompliance with applicable laws and regulations could be time consuming and costly and could adversely affect our business and results of operations.

Our research and development processes involve the use of hazardous materials, including chemical, radioactive and biological materials. Our operations also produce hazardous waste. We cannot eliminate entirely the risk of accidental contamination or discharge and any resultant injury from these materials. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of, and human exposure to, these materials. We may be sued for any injury or contamination that results from our use or the use by third parties of these materials, and our liability may exceed our total assets. Although we believe that our activities conform in all material respects with environmental laws, there can be no assurance that violations of environmental, health and safety laws will not occur in the future as a result of human error, accident, equipment failure or other causes. Compliance with applicable environmental laws and regulations may be expensive, and the failure to comply with past, present, or future laws could result in the imposition of fines, third-party property damage, product liability and personal injury claims, investigation and remediation costs, the suspension of production or a cessation of operations, and our liability may exceed our total assets. Liability under environmental laws can be joint and several and without regard to comparative fault. Environmental laws could become more stringent over time imposing greater compliance costs and increasing risks and penalties associated with violations, which could impair our research, development or production efforts and harm our business.

As isobutanol has not previously been used as a commercial fuel in significant amounts, its use subjects us to product liability risks, and we may have difficulties obtaining product liability insurance.

Isobutanol has not previously been used as a commercial fuel and research regarding its impact on engines and distribution infrastructure is ongoing. Though we intend to test our isobutanol further before its commercialization, there is a risk that it may damage engines or otherwise fail to perform as expected. If isobutanol degrades the performance or reduces the lifecycle of engines, or causes them to fail to meet emissions standards, market acceptance could be slowed or stopped, and we could be subject to product liability claims. Furthermore, due to isobutanol's lack of commercial history as a fuel, we are uncertain as to whether we will be able to acquire product liability insurance on reasonable terms, or at all. A significant product liability lawsuit could substantially impair our production efforts and could have a material adverse effect on our business, reputation, financial condition and results of operations.

During the ordinary course of business, we may become subject to lawsuits or indemnity claims, which could materially and adversely affect our business and results of operations.

From time to time, we may in the ordinary course of business be named as a defendant in lawsuits, claims and other legal proceedings. These actions may seek, among other things, compensation for alleged personal injury, worker's compensation, employment discrimination, breach of contract, property damages, civil penalties and other losses of injunctive or declaratory relief. In the event that such actions or indemnities are ultimately resolved unfavorably at amounts exceeding our accrued liability, or at material amounts, the outcome could materially and adversely affect our reputation, business and results of operations. In addition, payments of significant amounts, even if reserved, could adversely affect our liquidity position.

We may not be able to use some or all of our net operating loss carry-forwards to offset future income.

We have net operating loss carryforwards due to prior period losses, which if not utilized will begin to expire at various times over the next 20 years. If we are unable to generate sufficient taxable income to utilize our net operating loss carryforwards, these carryforwards could expire unused and be unavailable to offset future income tax liabilities.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an "ownership change" (generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period) is subject to limitation on its ability to utilize its pre-change net operating loss carry-forwards, or net operating losses, to offset future taxable income. We may have experienced one or more ownership changes in prior years, and the issuance of shares in connection with our initial public offering may itself have triggered an ownership change. In addition, future changes in our stock ownership, which may be outside of our control, may trigger an ownership change, as may future equity offerings or acquisitions that have equity as a component of the purchase price. If an ownership change has occurred or does occur in the future, our ability to utilize our net operating losses to offset income if we attain profitability may be limited.

Enacted and proposed changes in securities laws and regulations have increased our costs and may continue to increase our costs in the future.

In recent years, there have been several changes in laws, rules, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the Sarbanes-Oxley Act of 2002 and various other new regulations promulgated by the SEC and rules promulgated by the national securities exchanges.

The Dodd-Frank Act, enacted in July 2010, expands federal regulation of corporate governance matters and imposes requirements on publicly-held companies, including us, to, among other things, provide stockholders with a periodic advisory vote on executive compensation and also requires compensation committee reforms and enhanced pay-for-performance disclosures. While some provisions of the Dodd-Frank Act are effective upon enactment, others will be implemented upon the SEC's adoption of related rules and regulations. The scope and timing of the adoption of such rules and regulations is uncertain and accordingly, the cost of compliance with the Dodd-Frank Act is also uncertain.

These and other new or changed laws, rules, regulations and standards are, or will be, subject to varying interpretations in many cases due to their lack of specificity. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Our efforts to comply with evolving laws, regulations and standards are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from



revenue-generating activities to compliance activities. Further, compliance with new and existing laws, rules, regulations and standards may make it more difficult and expensive for us to maintain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. Members of our board of directors and our principal executive officer and principal financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business. We continually evaluate and monitor regulatory developments and cannot estimate the timing or magnitude of additional costs we may incur as a result of such developments.

If we fail to maintain an effective system of internal controls, we might not be able to report our financial results accurately or prevent fraud; in that case, our stockholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”) requires us to evaluate and report on our internal control over financial reporting and have our principal executive officer and principal financial officer certify as to the accuracy and completeness of our financial reports.

The process of maintaining our internal controls and complying with Section 404 is expensive and time consuming, and requires significant attention of management. We cannot be certain that these measures will ensure that we maintain adequate controls over our financial processes and reporting in the future. Even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, because of their inherent limitations, our internal controls over financial reporting may not prevent or detect fraud or misstatements. Failure to maintain required controls or implement new or additional controls as circumstances warrant, or difficulties encountered in maintaining or implementing controls, could harm our results of operations or cause us to fail to meet our reporting obligations.

Our management has concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2015 because of deficiencies in our accounting for non-routine transactions, including a material weakness identified in the year ended December 31, 2014 in accounting for the underwritten public offering completed in August 2014 (the "August Offering"). Notwithstanding the material weakness that existed as of September 30, 2015, management has concluded that the consolidated financial statements included in this Report present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with GAAP. Management is currently addressing this material weakness in internal control over financial reporting and is committed to remediating it as expeditiously as possible. The Company is implementing enhanced controls and policies with respect to the review and analysis of all working papers of non-routine transactions such as the August Offering. Management believes that there are no material inaccuracies or omissions of material fact in the Company's financial statements and, to the best of its knowledge, believes that the consolidated financial statements for the quarter ended September 30, 2015 fairly present in all material respects the Company's financial position, results of operations, and cash flows in accordance with GAAP.

However, if our remedial measures are insufficient to address the material weakness, or if we, or our independent registered public accounting firm, discover an additional material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price. In addition, a delay in compliance with Section 404 could subject us to a variety of administrative sanctions, including SEC action, ineligibility for short form resale registration, the suspension or delisting of our common stock from the stock exchange on which it is listed and the inability of registered broker-dealers to make a market in our common stock, which would further reduce our stock price and could harm our business.

#### Certain Risks Related to Owning our Securities

We have substantial indebtedness outstanding and may incur additional indebtedness in the future. Our indebtedness exposes us to risks that could adversely affect our business, financial condition and results of operations.

As of September 30, 2015, the aggregate amount of the outstanding principal and final payments under the Amended Agri-Energy Loan Agreement with TriplePoint was approximately \$0.6 million and we had \$26.1 million in outstanding 2017 Notes, and \$24.9 million in outstanding 2022 Notes. In addition, we, and any current and future subsidiaries of ours, may incur substantial additional debt in the future, subject to the specified limitations in our existing financing documents and the indentures governing the Convertible Notes. If new debt is added to our or any of our subsidiaries' debt levels, the risks described in this "Certain Risks Related to Owning Our Securities" section could intensify.

Our current and future indebtedness could have significant negative consequences for our business, results of operations and financial condition, including:

- increasing our vulnerability to adverse economic and industry conditions;

- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of our cash flow available for other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business; and
- placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

We cannot assure you that we will continue to maintain sufficient cash reserves or that our business will generate cash flow from operations at levels sufficient to permit us to pay principal, premium, if any, and interest on our indebtedness, or that our cash needs will not increase. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if we fail to comply with the various requirements of our existing indebtedness or any other indebtedness which we may incur in the future, we would be in default, which could permit the holders of our indebtedness, including the Convertible Notes, to accelerate the maturity of such indebtedness. Any default under such indebtedness could have a material adverse effect on our business, results of operations and financial condition.

In particular, our indebtedness with Whitebox and TriplePoint is secured by liens on substantially all of our assets, including our intellectual property. If we are unable to satisfy our obligations under such instruments, Whitebox or TriplePoint, as applicable, could foreclose on our assets, including our intellectual property. Any such foreclosure could force us to substantially curtail or cease our operations which could have a material adverse effect on our business, financial condition and results of operations.

Our stock price may be volatile, and your investment in our securities could suffer a decline in value.

The market price of shares of our common stock has experienced significant price and volume fluctuations. For example, since February 19, 2011, when we became a public company, the closing sales price for one share of our common stock has reached a high of \$383.25 and a low of \$1.72.

We cannot predict whether the price of our common stock will rise or fall. A variety of factors may have a significant effect on our stock price, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- the position of our cash and cash equivalents;
- actual or anticipated changes in our growth rate relative to our competitors;
  - actual or anticipated fluctuations in our competitors' operating results or changes in their growth rate;
- announcements of technological innovations by us, our partners or our competitors;
- announcements by us, our partners or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- the entry into, modification or termination of licensing arrangements, marketing arrangements, and/or research, development, commercialization, supply, off-take or distribution arrangements;
- our ability to consistently produce commercial quantities of isobutanol at the Agri-Energy Facility and ramp up production to nameplate capacity;
- additions or losses of customers;
- our ability to obtain certain regulatory approvals for the use of our isobutanol in various fuels and chemicals markets;
- commodity prices, including oil, ethanol and corn prices;
- additions or departures of key management or scientific personnel;
- competition from existing products or new products that may emerge;
- issuance of new or updated research reports by securities or industry analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- litigation involving us, our general industry or both;
- disputes or other developments related to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- announcements or expectations of additional financing efforts or the pursuit of strategic alternatives;
- changes in existing laws, regulations and policies applicable to our business and products, including the RFS program, and the adoption of or failure to adopt carbon emissions regulation;
- sales of our common stock or equity-linked securities, such as warrants, by us or our stockholders;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- general market conditions in our industry; and
- general economic and market conditions, including the recent financial crisis.

Furthermore, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry

fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the

65

---

market price of shares of our common stock, regardless of our operating performance, and cause the value of your investment to decline. Because the Convertible Notes are convertible into our common stock and the warrants are exercisable into our common stock, volatility or a reduction in the market price of our common stock could have an adverse effect on the trading price of the Convertible Notes and the warrants. Holders who receive common stock upon conversion of the Convertible Notes or exercise of the warrants will also be subject to the risk of volatility and a reduction in the market price of our common stock. In addition, the existence of the Convertible Notes and our outstanding warrants may encourage short selling in our common stock by market participants because the conversion of the Convertible Notes or exercise of the warrants could depress the price of our common stock.

Additionally, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation or other derivative shareholder lawsuits. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business regardless of the outcome.

The price of our common stock could also be affected by possible sales of common stock by investors who view the Convertible Notes or warrants as a more attractive means of equity participation in us and by hedging or arbitrage activity involving our common stock. The hedging or arbitrage could, in turn, affect the trading prices of the Convertible Notes and warrants, or any common stock that holders receive upon conversion of the Convertible Notes or exercise of the warrants.

Sales of a substantial number of shares of our common stock or securities linked to our common stock, such as the Convertible Notes and warrants, in the public market could occur at any time. These sales, or the perception in the market that such sales may occur, could reduce the market price of our common stock.

In addition, certain holders of our outstanding common stock (including shares of our common stock issuable upon the conversion of certain Convertible Notes or upon exercise of certain outstanding warrants) have rights, subject to certain conditions, to require us to file registration statements covering their shares and to include their shares in registration statements that we may file for ourselves or other stockholders.

Future issuances of our common stock or instruments convertible or exercisable into our common stock, including in connection with conversions of Convertible Notes or exercises of warrants, may materially and adversely affect the price of our common stock and cause dilution to our existing stockholders.

We may obtain additional funds through public or private debt or equity financings in the near future, subject to certain limitations in the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint. If we issue additional shares of common stock or instruments convertible into common stock, it may materially and adversely affect the price of our common stock. In addition, the conversion of some or all of the Convertible Notes and/or the exercise of some or all of the warrants may dilute the ownership interests of our stockholders, and any sales in the public market of any of our common stock issuable upon such conversion or exercise could adversely affect prevailing market prices of our common stock. Additionally, under the terms of certain warrants, in the event that a warrant is exercised at a time when we do not have an effective registration statement covering the underlying shares of common stock on file with the SEC, such warrants must be net exercised, which will dilute the ownership interests of existing stockholders without any corresponding benefit to the Company of a cash payment for the exercise price of such warrant.

As of September 30, 2015, we had \$24.9 million in outstanding 2022 Notes, which were convertible into 1,759,433 shares of common stock at the conversion rate in effect on September 30, 2015 (which amount includes 1,467,821 shares of common stock issuable in full satisfaction of the coupon make-whole payments due in connection therewith). The anticipated conversion of the \$24.9 million in outstanding 2022 Notes into shares of our common

stock could depress the trading price of our common stock. In addition, we have the option to issue common stock to any converting holder in lieu of making any required coupon make-whole payment in cash. If we elect to issue our common stock for such payment, the stock will be valued at 90% of the simple average of the daily volume weighted average prices of our common stock for the 10 trading days ending on and including the trading day immediately preceding the conversion date. If our stock price decreases, the number of shares we would be required to deliver in connection with the coupon make-whole payments would increase. Given that the agreements governing our indebtedness, including our secured indebtedness with TriplePoint, may prohibit us from paying, repurchasing or redeeming the 2022 Notes or making cash payments in respect of the coupon make-whole payments due upon a conversion, we may be unable to make such payment in cash. If we issue additional shares of our common stock in satisfaction of such payments, this may cause significant additional dilution to our existing stockholders.

As of September 30, 2015, we had \$26.1 million in outstanding 2017 Notes, which were convertible into 1,727,968 shares of our common stock at the conversion rate in effect on September 30, 2015. The 1,727,968 shares includes 225,436 shares of common stock that may be issuable from time to time in the event that the Company pays a portion of the interest on the 2017 Notes in kind or elects to pay make-whole payments due upon conversion of the 2017 Notes, if any, in shares of common stock. The anticipated

conversion of the outstanding 2017 Notes (including any interest that is paid in kind) into shares of our common stock could depress the trading price of our common stock. In addition, subject to certain restrictions, we have the option to issue common stock to any converting holder in lieu of making any required make-whole payment in cash. If we elect to issue our common stock for such payment, it will be at the same conversion rate that is applicable to conversions of the principal amount of the 2017 Notes. If we elect to issue additional shares of our common stock for such payments, this may cause significant additional dilution to our existing stockholders.

The terms of the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint and the indentures governing the Convertible Notes, may restrict our ability to engage in certain transactions.

The terms of the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint and the indentures governing the Convertible Notes, may prohibit us from engaging in certain actions, including disposing of certain assets, granting or otherwise allowing the imposition of a lien against certain assets, incurring certain kinds of additional indebtedness, acquiring or merging with other entities, or making dividends and other restricted payments unless we receive the prior approval of the requisite lenders or the requisite holders of the Convertible Notes. If we are unable to obtain such approval, we could be prohibited from engaging in transactions which could be beneficial to our business and our stockholders or could be forced to repay such indebtedness in full.

The indentures governing the Convertible Notes may prohibit us from engaging in certain mergers or acquisitions and if a fundamental change of the Company occurs prior to the maturity date of the Convertible Notes, holders of the Convertible Notes will have the right, at their option, to require us to repurchase all or a portion of their Convertible Notes and, in certain circumstances, to pay the holders of Convertible Notes a make-whole payment equal to the aggregate amount of interest that would have been payable on such Convertible Notes from the repurchase date through the maturity date of such Convertible Notes. With respect to the 2022 Notes, if a fundamental change occurs prior to the maturity date of the 2022 Notes, we will in some cases be required to increase the conversion rate for a holder that elects to convert its 2022 Notes in connection with such fundamental change. With respect to the 2017 Notes, the Company has the right to increase the conversion rate of the 2017 Notes by any amount for a period of at least 20 business days if the Company's board of directors determines that such increase would be in the Company's best interest. In addition, if an extraordinary transaction occurs, and the warrants are assumed by a company that is not a publicly traded company, holders of certain warrants may have the right, at their option, to require us to repurchase the unexercised portion of such warrants for an amount in cash equal to the value of the warrants, as determined in accordance with the Black Scholes option pricing model and the terms of the warrants. These and other provisions could prevent or deter a third party from acquiring us, even where the acquisition could be beneficial to our stockholders.

The conversion or exercise prices, as applicable, of the Convertible Notes and warrants can fluctuate under certain circumstances which, if triggered, can result in potentially material further dilution to our stockholders.

The conversion price of the 2022 Notes can fluctuate in certain circumstances, including in the event that we undertake certain stock dividends, splits, combinations or distributions or if there is a fundamental change prior to the maturity date of the 2022 Notes. In such instances, the conversion price of the 2022 Notes can fluctuate materially lower than the current conversion price of \$85.39 per share. The conversion price of the 2017 Notes can fluctuate in certain circumstances, including in the event that there is a dividend or distribution paid on shares of our common stock or a subdivision, combination or reclassification of our common stock. In such instances, the conversion price of the 2017 Notes can fluctuate materially lower than the current conversion price of \$17.38 per share.

The number of shares of common stock for which certain of our warrants are exercisable may be adjusted in the event that we undertake certain stock dividends, splits, combinations, distributions, and the price at which such shares of



common stock may be purchased upon exercise of the warrants may be adjusted in the event that we undertake certain issuances of common stock or convertible securities at prices lower than the then-current exercise price for the warrants. These provisions could result in substantial dilution to investors in our common stock.

The interest rates of the Convertible Notes can fluctuate under certain circumstances which, if triggered, can result in potentially material further dilution to our stockholders.

The interest rates of the Convertible Notes can fluctuate in certain circumstances, including in the event of a default of our obligations under the indentures governing the Convertible Notes or the registration rights agreements, if any, entered into in connection with such notes. In addition, the interest on the 2017 Notes will be payable 50% in cash and 50% in kind if (i) no event of default has occurred and is continuing under the indentures governing the 2017 Notes and (ii) the last reported sales price of our common stock on the 10th trading day immediately preceding the relevant interest payment date is more than \$16.50 per share. As the Company may be required to pay a portion of the interest on the 2017 Notes in kind, by either increasing the principal amount of the outstanding 2017 Notes or issuing additional 2017 Notes, any increase to the interest rate applicable to the 2017 Notes could result in additional dilution to investors in our common stock.

We may not have the ability to pay interest on the Convertible Notes or to repurchase or redeem the Convertible Notes.

If a fundamental change (as defined in the indentures governing the Convertible Notes) occurs, holders of the Convertible Notes may require us to repurchase, for cash, all or a portion of their Convertible Notes. In such circumstance we would be required to offer to repurchase the Convertible Notes at 100% of principal plus accrued and unpaid interest, to, but not including, the repurchase date. We would also be required to pay the holders of the 2017 Notes a fundamental change make-whole payment equal to the aggregate amount of interest that would have otherwise been payable on such notes to, but not including, the maturity date of such notes. If we elect to redeem the Convertible Notes prior to their maturity, the redemption price of any Convertible Notes redeemed by us will be paid for in cash. Our ability to pay the interest on the Convertible Notes, to repurchase or redeem the Convertible Notes, to refinance our indebtedness and to fund working capital needs and planned capital expenditures depends on our ability to generate cash flow in the future. To some extent, this is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot assure you that we will maintain sufficient cash reserves or that our business will generate cash flow from operations at levels sufficient to permit us to pay the interest on the Convertible Notes, to repurchase or redeem the Convertible Notes or to pay any cash amounts that may become due upon conversion of the Convertible Notes, or that our cash needs will not increase. In addition, any such repurchase or redemption of the Convertible Notes, even if such action would be in our best interests, may result in a default under the agreements governing our indebtedness, including our secured indebtedness with TriplePoint, unless we are able to obtain the applicable lender's consent prior to the taking of such action.

Our failure to repurchase tendered Convertible Notes at a time when the repurchase is required by the indenture governing such notes would constitute a default under such notes and would permit holders of such notes to accelerate our obligations under such notes. Such default may also lead to a default under the agreements governing any of our current and future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness and repurchase the Convertible Notes or make cash payments upon conversions thereof.

If we are unable to generate sufficient cash flow from operations in the future to service our indebtedness and meet our other needs, we may have to refinance all or a portion of our indebtedness, obtain additional funds through public or private debt or equity financings, reduce expenditures or sell assets that we deem necessary to our business. Our ability to take some or all of these actions will be subject to certain limitations in the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint, and we cannot assure you that any of these measures would be possible or that any additional financing could be obtained on favorable terms, or at all. The inability to obtain additional financing on commercially reasonable terms could have a material adverse effect on our financial condition, which could cause the value of your investment to decline. Additionally, if we were to conduct a public or private offering of securities, any new offering would be likely to dilute our stockholders' equity ownership.

The issuance of share-based payment awards under our stock incentive plan may cause dilution to our existing stockholders and may affect the market price of our common stock.

We have used, and in the future we may continue to use, stock options, stock grants and other equity-based incentives, either pursuant to the 2010 Plan or outside of the 2010 Plan, to provide motivation and compensation to our directors, officers, employees and key independent consultants. The award of any such incentives will result in an immediate and potentially substantial dilution to our existing shareholders and could result in a decline in the value of our stock price.

As of September 30, 2015, there were 668,944 shares subject to outstanding options that are or will become eligible for sale in the public market to the extent permitted by any applicable vesting requirements and Rules 144 and 701 under the Securities Act of 1933, as amended. The exercise of these options and the sale of the underlying shares of common stock and the sale of stock issued pursuant to stock grants may have an adverse effect upon the price of our common stock, which in turn may have an adverse effect upon the trading price of the warrants.

As of September 30, 2015, there were 232,940 shares of common stock available for future grant under our 2010 Plan and 76,629 shares of common stock reserved for issuance under our Employee Stock Purchase Plan. These shares can be freely sold in the public market upon issuance and once vested.

We may pay vendors in stock as consideration for their services; this may result in additional costs and may cause dilution to our existing stockholders.

In order for us to preserve our cash resources, we may in the future pay vendors, including technology partners, in shares, warrants or options to purchase shares of our common stock rather than cash. Payments for services in stock may materially and adversely affect our stockholders by diluting the value of outstanding shares of our common stock. In addition, in situations where we agree to register the shares issued to a vendor, this will generally cause us to incur additional expenses associated with such registration.

Holders of our warrants will have no rights as common stockholders until such holders exercise their warrants and acquire our common stock.

Until holders of our warrants acquire shares of our common stock upon exercise of the warrants, such holders will have no rights with respect to the shares of our common stock underlying such warrants, except for those rights set forth in the applicable warrant agreements. Upon exercise of the warrants, warrant holders will be entitled to exercise the rights of a common stockholder only as to matters for which the record date occurs after the exercise date.

The exercise prices of our warrants may not be adjusted for all dilutive events.

The exercise prices of certain warrants are subject to adjustment for certain events, including the issuance of stock dividends on our common stock and, in certain instances, the issuance of our common stock at a price per share less than the exercise price of such warrants. However, the exercise prices may not be adjusted for other events, including the issuance of certain rights, options or warrants, distributions of capital stock, indebtedness, or assets and cash dividends. Accordingly, an event that adversely affects the value of the warrants may occur, and that event may not result in an adjustment to the exercise price.

We may not be permitted by the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint, to repurchase the warrants, and we may not have the ability to do so.

Under certain circumstances, if an extraordinary transaction (as defined in the warrants) occurs, holders of certain warrants may require us to repurchase, for cash, the remaining unexercised portion of such warrants for an amount of cash equal to the value of the warrants as determined in accordance with the Black Scholes option pricing model and the terms of the warrants. Our ability to repurchase such warrants depends on our ability to generate cash flow in the future. To some extent, this is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot assure you that we will maintain sufficient cash reserves or that our business will generate cash flow from operations at levels sufficient to permit us to repurchase such warrants. In addition, any such repurchase of the warrants may result in a default under the agreements governing our indebtedness, including our secured indebtedness with Whitebox and/or TriplePoint, unless we are able to obtain such lender's consent prior to the taking of such action. If we were unable to obtain such consent, compliance with the terms of the warrants would trigger an event of default under such agreements.

We do not anticipate paying cash dividends, and accordingly, stockholders must rely on stock appreciation for any return on their investment.

Under the terms of the agreements governing our indebtedness with TriplePoint, subject to certain limited exceptions, Agri-Energy is only permitted to pay dividends if the following conditions are satisfied: (i) the Retrofit of the Agri-Energy Facility is complete and the facility is producing commercial volumes of isobutanol, (ii) its net worth is greater than or equal to \$10.0 million, and (iii) no event of default has occurred and is continuing under the agreement. Agri-Energy is also permitted to make dividends and distributions to Gevo, Inc. for certain defined purposes related to the Convertible Notes. Accordingly, even if we decide to pay cash dividends in the future, we may not be able to access cash generated by Agri-Energy if amounts are then outstanding pursuant to such agreements.

We have never paid cash dividends on our common stock and we do not expect to pay cash dividends on our common stock at any time in the foreseeable future. The future payment of dividends directly depends upon our future earnings, capital requirements, financial requirements and other factors that our board of directors will consider. As a result, only appreciation of the price of our common stock, which may never occur, will provide a return to stockholders. Investors seeking cash dividends should not invest in our common stock.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline. The trading market for our common stock will be influenced by the research and reports that securities or industry analysts publish about us or our business.

We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our stock or change their opinion of our stock, our stock price would likely decline which in turn would likely cause a decline in the value of the warrants and the Convertible Notes. If one or more of these analysts cease coverage of the Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price and the price of the warrants and Convertible Notes to decline or the trading volume of such securities to decline.

We are subject to anti-takeover provisions in our amended and restated certificate of incorporation, as amended (our “Certificate of Incorporation”), and amended and restated bylaws and under Delaware law that could delay or prevent an acquisition of the Company, even if the acquisition would be beneficial to our stockholders.

Provisions in our Certificate of Incorporation and our amended and restated bylaws may delay or prevent an acquisition of the Company. Among other things, our Certificate of Incorporation and amended and restated bylaws provide for a board of directors that is divided into three classes with staggered three-year terms, provide that all stockholder action must be effected at a duly called meeting of the stockholders and not by a consent in writing, and further provide that only our board of directors may call a special meeting of the stockholders. These provisions may also frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, who are responsible for appointing the members of our management team. Furthermore, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits, with some exceptions, stockholders owning in excess of 15% of our outstanding voting stock from merging or combining with us. Finally, our charter documents establish advance notice requirements for nominations for election to our board of directors and for proposing matters that can be acted upon at stockholder meetings. Although we believe these provisions together provide an opportunity to receive higher bids by requiring potential acquirers to negotiate with our board of directors, they would apply even if an offer to acquire the Company may be considered beneficial by some stockholders.

We may not be able to comply with all applicable listing requirements or standards of the NASDAQ Capital Market and NASDAQ could delist our common stock.

Our common stock is listed on the NASDAQ Capital Market. In order to maintain that listing, we must satisfy minimum financial and other continued listing requirements and standards. There can be no assurance that we will be able to comply with applicable listing standards. In the event that our common stock is not eligible for quotation on another market or exchange, trading of our common stock could be conducted in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely be a reduction in our coverage by security analysts and the news media, which could cause the price of our common stock to decline further. In addition, it may be difficult for us to raise additional capital if we are not listed on a major exchange. Furthermore, it would be a fundamental change under the indentures governing the Convertible Notes if our common stock is not listed on a national securities exchange. In such circumstance we would be required to offer to repurchase the Convertible Notes at 100% of principal plus accrued and unpaid interest to, but not including, the repurchase date. We would also be required to pay the holders of the 2017 Notes a fundamental change make-whole payment equal to the aggregate amount of interest that would have otherwise been payable on such notes to, but not including, the maturity date of such notes. Repurchase offers for the 2022 Notes would be prohibited by the agreements governing our secured indebtedness with TriplePoint.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

## Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

On November 2, 2015, the Company agreed with Brett Lund, Chief Legal Officer, General Counsel and secretary that he will be leaving the Company effective November 13, 2015. Given that the Butamax litigation has been successfully resolved and that the Company's IP portfolio has been substantially built out, he has completed his primary mission at Gevo. Subsequently, Gevo and Mr. Lund have agreed to a separation. In connection with his separation, Mr. Lund will receive severance compensation and benefits consistent with a termination of employment without cause by the Company as described in his previously disclosed employment agreement. Mr. Lund was a "named executive officer" in the Company's most recent proxy statement. Mr. Lund will continue to advise the Company as his schedule permits.

70

---

Edgar Filing: Gevo, Inc. - Form 10-Q

Item 6. Exhibits.

| Exhibit<br>Number | Description   | Previously Filed |            | Filing Date      | Filed   |          |
|-------------------|---|------------------|------------|------------------|---------|----------|
|                   |   | Form             | File No.   |                  | Exhibit | Herewith |
| 3.1               | Amended and Restated Certificate of Incorporation of Gevo, Inc.   | 10-K             | 001-35073  | March 29, 2011   | 3.1     |          |
| 3.2               | Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Gevo, Inc.   | 8-K              | 001-35073  | June 10, 2013    | 3.1     |          |
| 3.3               | Certificate of Amendment to Amended and Restated<br><br>Certificate of Incorporation of Gevo, Inc.  | 8-K              | 001-35073  | July 9, 2014     | 3.1     |          |
| 3.4               | Certificate of Amendment to Amended and Restated<br><br>Certificate of Incorporation of Gevo, Inc.  | 8-K              | 001-35073  | April 22, 2015   | 3.1     |          |
| 3.5               | Amended and Restated Bylaws of Gevo, Inc.   | 10-K             | 001-35073  | March 29, 2011   | 3.2     |          |
| 4.1               | Form of the Gevo, Inc. Common Stock Certificate.  | S-1              | 333-168792 | January 19, 2011 | 4.1     |          |
| 4.2               | Fifth Amended and Restated Investors' Rights Agreement, dated March 26, 2010.   | S-1              | 333-168792 | August 12, 2010  | 4.2     |          |
| 4.3†              | Stock Issuance and Stockholder's Rights Agreement, by and between Gevo, Inc. and California Institute of Technology, dated July 12, 2005. | S-1              | 333-168792 | August 12, 2010  | 4.3     |          |
| 4.4               | Amended and Restated Warrant to purchase shares of Common Stock, issued to CDP Gevo, LLC, dated September 22, 2010.                       | S-1              | 333-168792 | October 1, 2010  | 4.4     |          |



Edgar Filing: Gevo, Inc. - Form 10-Q

|      |  |      |            |                   |      |
|------|--|------|------------|-------------------|------|
| 4.5  | Warrant to purchase shares of Preferred Stock, issued to Virgin Green Fund I, L.P., dated January 18, 2008.  | S-1  | 333-168792 | August 12, 2010   | 4.10 |
| 4.6  | Plain English Warrant Agreement No. 0647-W-01, by and between Gevo, Inc. and TriplePoint Capital LLC, dated August 5, 2010.  | S-1  | 333-168792 | October 1, 2010   | 4.11 |
| 4.7  | Plain English Warrant Agreement No. 0647-W-02, by and between Gevo, Inc. and TriplePoint Capital LLC, dated August 5, 2010.  | S-1  | 333-168792 | October 1, 2010   | 4.12 |
| 4.8  | Plain English Warrant Agreement No. 0647-W-03, by and between Gevo, Inc. and TriplePoint Capital LLC, dated October 20, 2011.  | 8-K  | 001-35073  | October 26, 2011  | 10.7 |
| 4.9  | First Amendment to Plain English Warrant Agreement, relating to Warrant Number 0647-W- 01, dated December 11, 2013, by and between Gevo, Inc. and TriplePoint Capital LLC. | 8-K  | 001-35073  | December 12, 2013 | 4.1  |
| 4.10 | First Amendment to Plain English Warrant Agreement, relating to Warrant Number 0647-W- 02, dated December 11, 2013, by and between Gevo, Inc. and TriplePoint Capital LLC. | 8-K  | 001-35073  | December 12, 2013 | 4.2  |
| 4.11 | First Amendment to Plain English Warrant Agreement, relating to Warrant Number 0647-W- 03, dated December 11, 2013, by and between Gevo, Inc. and TriplePoint Capital LLC. | 8-K  | 001-35073  | December 12, 2013 | 4.3  |
| 4.12 | Common Stock Warrant, issued to Genesis Select Corporation, dated June 6, 2013.  | 10-Q | 001-35073  | August 14, 2013   | 4.9  |
| 4.13 | Common Stock Unit Warrant Agreement, dated December 16, 2013, by and between Gevo, Inc. and the American Stock Transfer & Trust  | 8-K  | 001-35073  | December 16, 2013 | 4.1  |

Company, LLC.

71

---

Edgar Filing: Gevo, Inc. - Form 10-Q

| Exhibit Number | Description   | Previously Filed |           | Filing Date      | Filed Exhibit | Filed Herewith |
|----------------|---|------------------|-----------|------------------|---------------|----------------|
|                |   | Form             | File No.  |                  |               |                |
| 4.14           | Indenture, dated as of July 5, 2012, between Gevo, Inc. and Wells Fargo Bank, National Association, as trustee.   | 8-K              | 001-35073 | July 5, 2012     | 4.1           |                |
| 4.15           | First Supplemental Indenture, dated as of July 5, 2012, to the Indenture dated as of July 5, 2012, by and among Gevo, Inc. and Wells Fargo Bank, National Association, as trustee.  | 8-K              | 001-35073 | July 5, 2012     | 4.2           |                |
| 4.16†          | Indenture by and among Gevo, Inc., the guarantors named on the signature page thereto and Wilmington Savings Fund Society, FSB, dated June 6, 2014 (for 10% Convertible Senior Secured Notes due 2017).   | 8-K              | 001-35073 | June 12, 2014    | 4.1           |                |
| 4.17           | First Supplemental Indenture, dated July 31, 2014, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee, and WB Gevo, Ltd., as Requisite Holder.   | 8-K              | 001-35073 | August 1, 2014   | 4.1           |                |
| 4.18           | Second Supplemental Indenture and First Amendment to Pledge and Security Agreement, dated January 28, 2015, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee, and WB Gevo, Ltd.  | 8-K              | 001-35073 | January 30, 2015 | 4.1           |                |
| 4.19†          | Exchange and Purchase Agreement by and among Gevo, Inc., Gevo Development, LLC, Agri-Energy, LLC, WB Gevo, Ltd., Whitebox Advisors LLC, in its capacity as administrative agent, and Whitebox Advisors LLC, in its capacity as representative of the Purchaser, and each other party who thereafter executes and delivers a Joinder Agreement, dated May 9, 2014. | 8-K              | 001-35073 | May 23, 2014     | 4.1           |                |
| 4.20           | Registration Rights Agreement by and among Gevo, Inc., WB Gevo, Ltd., and each other party who thereafter executes and delivers a Joinder Agreement,  | 8-K              | 001-35073 | May 15, 2014     | 4.2           |                |

Edgar Filing: Gevo, Inc. - Form 10-Q

dated May 9, 2014.

|      |   |     |           |                  |     |
|------|---|-----|-----------|------------------|-----|
| 4.21 | Common Stock Unit Warrant Agreement, dated August 5, 2014, by and between Gevo, Inc. and the American Stock Transfer & Trust Company, LLC.  | 8-K | 001-35073 | August 6, 2014   | 4.1 |
| 4.22 | 2015 Common Stock Unit Series A Warrant Agreement, dated February 3, 2015, by and between Gevo, Inc. and the American Stock Transfer & Trust Company, LLC.  | 8-K | 001-35073 | February 4, 2015 | 4.1 |
| 4.23 | 2015 Common Stock Unit Series B Warrant Agreement, dated February 3, 2015, by and between Gevo, Inc. and the American Stock Transfer & Trust Company, LLC.  | 8-K | 001-35073 | February 4, 2015 | 4.2 |
| 4.24 | Third Supplemental Indenture, dated May 13, 2015, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee, Wilmington Savings Fund Society, FSB, as collateral trustee, and WB Gevo, Ltd., as Requisite Holder. | 8-K | 001-35073 | May 15, 2015     | 4.1 |
| 4.25 | 2015 Common Stock Unit Series C Warrant Agreement, dated May 19, 2015 by and between Gevo, Inc. and the American Stock Transfer & Trust Company LLC.  | 8-K | 001-35073 | May 20, 2015     | 4.1 |

72

---

Edgar Filing: Gevo, Inc. - Form 10-Q

| Exhibit<br>Number | Description  | Previously Filed |           | Filing<br>Date | Filed<br>Exhibit | Filed<br>Herewith |
|-------------------|--|------------------|-----------|----------------|------------------|-------------------|
|                   |  | Form             | File No.  |                |                  |                   |
| 4.26              | Fourth Supplemental Indenture, dated June 1, 2015, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee, Wilmington Savings Fund Society, FSB, as collateral trustee, and WB Gevo, Ltd., as Requisite Holder.   | 10-Q             | 001-35073 | August 7, 2015 | 4.26             |                   |
| 4.27              | Fifth Supplemental Indenture, dated August 22, 2015, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee, Wilmington Savings Fund Society, FSB, as collateral trustee, and WB Gevo, Ltd., as Requisite Holder. |                  |           |                |                  | X                 |
| 10.1              | Gevo, Inc. Amended and Restated 2010 Stock Incentive Plan, as amended  | 8-K              | 001-35073 | July 10, 2015  | 10.1             |                   |
| 10.2†             | Settlement Agreement and Mutual Release, dated August 22, 2015, by and among Gevo, Inc., Butamax Advanced Biofuels, LLC, E.I. du Pont de Nemours & Company and BP Biofuels North America LLC..   |                  |           |                |                  | X                 |
| 10.3†             | Patent Cross-License Agreement dated, August 22, 2015, by and between Gevo, Inc. and Butamax Advanced Biofuels LLC.  |                  |           |                |                  | X                 |
| 31.1              | Section 302 Certification of the Principal Executive Officer.  |                  |           |                |                  | X                 |
| 31.2              | Section 302 Certification of the Principal Financial Officer.  |                  |           |                |                  | X                 |
| 32.1              | Section 906 Certification of the Principal Executive Officer and Principal Financial Officer.  |                  |           |                |                  | X                 |
| 101               | Financial statements from the Quarterly Report on Form 10-Q of Gevo, Inc. for the quarterly period ended September 30, 2015, formatted in XBRL: (i) the  |                  |           |                |                  | X                 |

Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to the Consolidated Financial Statements.

Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the SEC.

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 thereunto duly authorized.

Gevo, Inc.

By: /s/ MIKE WILLIS  
Mike Willis

Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: November 5, 2015