Gevo, Inc.
Form 10-Q
August 07, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 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 incorporation or organization)	(I.R.S. Employer 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 x 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 x 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 x (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 x

As of June 30, 2015, 16,499,378 shares of the registrant's common stock were outstanding.

GEVO, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

INDEX

		Page
	PART I. FINANCIAL INFORMATION	
Item 1.	Financial Statements	3
	Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014 (unaudited)	3
	Consolidated Statements of Operations for the three months ended June 30, 2015 and 2014 (unaudited)	4
	Consolidated Statements of Cash Flows for the three months ended June 30, 2015 and 2014 (unaudited)	5
	Notes to Unaudited Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	33
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	48
Item 4.	Controls and Procedures	48
	PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings	50
Item 1A.	Risk Factors	53
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	82
Item 3.	Defaults Upon Senior Securities	82
Item 4.	Mine Safety Disclosures	82
Item 5.	Other Information	82
Item 6.	Exhibits	83
	Signatures	86

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GEVO, INC.

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

(unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$22,528	$6,359
Accounts receivable	2,319	2,361
Inventories	2,902	4,292
Prepaid expenses and other current assets	571	732
Total current assets	28,320	13,744
Property, plant and equipment, net	77,899	81,240
Debt issue costs, net	414	530
Restricted deposits	2,611	2,611
Deposits and other assets	803	803
Total assets	$110,047	$98,928
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$6,614	$8,588
Current portion of secured debt, net of $24 and $31 discount at June 30, 2015 and December 31, 2014, respectively	309	288
Derivative warrant liability	8,114	3,114
Other current liabilities	-	35
Total current liabilities	15,037	12,025
Long-term portion of secured debt, net of $8 and $18 discount at June 30, 2015 and December 31, 2014, respectively	325	485
2017 Notes recorded at fair value	22,035	25,460
2022 Notes, net	14,312	13,679
Other long-term liabilities	150	315
Total liabilities	51,859	51,964
Commitments and Contingencies (see note 12)		

Stockholders' Equity		
Common stock, $0.01 par value per share; 250,000,000 authorized; 16,499,378 and 6,641,870 shares issued and outstanding June 30, 2015 and December 31, 2014, respectively	165	66
Additional paid-in capital	383,034	350,196
Deficit accumulated	(325,011)	(303,298)
Total stockholders' equity	58,188	46,964
Total liabilities and stockholders' equity	$110,047	$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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue and cost of goods sold				
Ethanol sales and related products, net	$ 7,955	$ 5,522	$ 13,053	$ 5,522
Hydrocarbon revenue	740	2,018	1,257	2,648
Grant and other revenue	229	181	513	454
Total revenues	8,924	7,721	14,823	8,624
Cost of goods sold	9,898	8,269	19,132	12,949
Gross loss	(974)	(548)	(4,309)	(4,325)
Operating expenses				
Research and development	1,765	3,586	3,487	7,691
Selling, general and administrative	3,792	4,898	8,271	9,938
Total operating expenses	5,557	8,484	11,758	17,629
Loss from operations	(6,531)	(9,032)	(16,067)	(21,954)
Other (expense) income				
Interest expense	(2,029)	(2,609)	(4,064)	(4,210)
Interest expense - debt issue costs	-	(3,185)	-	(3,185)
Gain on conversion of debt	-	-	285	-
Gain on extinguishment of warrant liability	1,775	-	1,775	-
Gain from change in fair value of embedded derivatives of the 2022 Notes	-	1,480	-	2,744
Gain (loss) from change in fair value of 2017 Notes	(340)	(5,129)	3,425	(5,129)
Gain (loss) from change in fair value of derivative warrant liability	(7,247)	1,321	(7,080)	2,599
Other income	2	(2)	13	7
Total other expense	(7,839)	(8,124)	(5,646)	(7,174)
Net loss	(14,370)	(17,156)	(21,713)	(29,128)
Net loss per share - basic and diluted	$ (1.10)	$ (3.79)	$ (2.03)	$ (6.44)
Weighted-average number of common shares outstanding - basic and diluted	13,009,434	4,531,321	10,673,891	4,524,390

See notes to unaudited consolidated financial statements.

GEVO, INC.

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Six Months Ended June 30, 2015	2014
Operating Activities		
Net loss	$(21,713)	$(29,128)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain from change in fair value of derivative warrant liability	7,080	(2,599)
Gain from change in fair value of embedded derivative of 2022 Notes	-	(2,744)
Gain from change in fair value of 2017 Notes	(3,425)	5,129
Gain on conversion of debt	(285)	-
Gain on extinguishment of warrant liability	(1,775)	-
Stock-based compensation	698	1,503
Depreciation and amortization	3,281	1,604
Non-cash interest expense	1,767	5,365
Changes in operating assets and liabilities:		
Accounts receivable	42	(1,727)
Inventories	1,389	(661)
Prepaid expenses and other current assets	160	228
Deposits and other assets	-	(31)
Accounts payable, accrued expenses, and long-term liabilities	(2,104)	(2,159)
Net cash used in operating activities	(14,885)	(25,220)
Investing Activities		
Acquisitions of property, plant and equipment	(175)	(3,837)
Proceeds from sales tax refund for property, plant and equipment	144	
Restricted certificate of deposit	-	(2,611)
Net cash used in investing activities	(31)	(6,448)

See notes to unaudited consolidated financial statements.

GEVO, INC.

Consolidated Statements of Cash Flows - Continued

(in thousands)

(unaudited)

	Six Months Ended June 30, 2015	2014
Financing Activities		
Payments on secured debt	(131)	(9,622)
Debt and equity offering costs	(2,785)	(3,352)
Proceeds from issuance of common stock upon exercise of stock options and employee stock purchase plan	-	19
Proceeds from issuance of common stock and common stock units	23,850	-
Proceeds from the exercise of warrants	10,151	-
Proceeds from issuance of convertible debt, net	-	25,906
Net cash provided by financing activities	31,085	12,951
Net increase (decrease) in cash and cash equivalents	16,169	(18,717)
Cash and cash equivalents		
Beginning of period	6,359	24,625
Ending of period	$22,528	$5,908

See notes to unaudited consolidated financial statements.

GEVO, INC.

Consolidated Statements of Cash Flows - Continued

(in thousands)

(unaudited)

Supplemental disclosures of cash and non-cash investing and financing transactions	Six Months Ended June 30, 2015	2014
Cash paid for interest, net of interest capitalized	$2,297	$2,013
Capitalization of interest, from term to 2017 convertible notes	$-	$201
Non-cash purchase of property, plant and equipment	$15	$400
Conversion of convertible debt to common stock	$2,000	$-
Series A Warrant issuance	$1,437	$-
Series B Warrant issuance	$2,528	$-
Series C Warrant issuance	$1,299	$-

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 June 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 six months ended June 30, 2015, the Company incurred a consolidated net loss of $21.7 million and had an accumulated deficit of $325.0 million. The Company's cash and cash equivalents at June 30, 2015 totaled $22.5 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; (v) costs associated with the ongoing litigation with Butamax Advanced Biofuels LLC ("Butamax"), a joint venture between British Petroleum ("BP"), E.I. du Pont de Nemours and Company ("DuPont"), and DuPont and BP Biofuels North America LLC; and (vi) 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.

Despite the Company's continued success in meeting isobutanol fermentation targets, including producing isobutanol and ethanol simultaneously, the Company continues to face significant expenses related to its ongoing litigation with Butamax. While the United States District Court for the District of Delaware ("Delaware District Court") has temporarily stayed the litigation with Butamax involving certain patents, trials related to other patents are scheduled for August 2015 and April 2016 and the Company expects to incur significant costs preparing for and participating in these upcoming trials. The Company continues to believe that the Butamax complaints are without merit. However, if it is unable to raise the significant funds that will be required for it to continue to defend its freedom to operate, the Company could be forced to change its business strategy which may include one or more of the following: (i) terminating the research and development, manufacture, sale and use of products that include the subject intellectual property; (ii) conducting research and development and manufacturing any products that include the subject intellectual property outside of the United States; (iii) shifting its focus to the production of ethanol and/or the development of hydrocarbon products, including those that can be produced from ethanol; or (iv) pursuing strategic alternatives, including the monetization of some or all of the Company's assets, in order to maximize stockholder value.

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 United States of America 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 June 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.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

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 six months ended June 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.

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

	As of June 30,	
	2015	2014
Warrants to purchase common stock	4,023,861	1,504,237
2017 Notes	1,502,532	1,502,532
2022 Notes	291,612	315,034
Outstanding options to purchase common stock	221,679	258,238
Unvested restricted common stock	48,633	61,035
Total	6,088,317	3,641,075

3. Inventories

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

	June 30, 2015	December 31, 2014
Raw materials		
Corn	$147	$ 1,369
Enzymes and other inputs	261	344
Finished goods	570	525
Work in process	535	610
Spare parts	1,389	1,444
Total inventories	$2,902	$ 4,292

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

4. Property, Plant and Equipment

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

	Useful Life	June 30, 2015	December 31, 2014
Construction in progress	-	$440	$440
Plant machinery and equipment	10 years	13,400	13,367
Site improvements	10 years	7,035	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	1,512	1,490
Leasehold improvements, pilot plant, land and support equipment	2 - 5 years	2,144	2,144
Total property, plant and equipment		102,522	102,582
Less accumulated depreciation and amortization		(24,623)	(21,342)
Property, plant and equipment, net		$77,899	$81,240

Included in cost of goods sold is depreciation of $1.4 million and $0.5 million during the three months ended June 30, 2015 and 2014, respectively, and $2.9 million and $1.1 million during the six months ended June 30, 2015 and 2014, respectively.

Included in operating expenses is depreciation of $0.2 million and $0.2 million during the three months ended June 30, 2015 and 2014, respectively, and $0.4 million and $0.5 million during the six months ended June 30, 2015 and 2014, respectively.

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.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

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

	June 30, 2015	December 31, 2014
Stock price	$3.27	$4.80
Conversion Rate	11.7113	11.7113
Conversion Price	$85.39	$85.39
Maturity date	July 1, 2022	July 1, 2022
Risk-free interest rate	2.07 %	2.00 %
Estimated stock volatility	118 %	87 %
Estimated credit spread	34 %	20 %

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.

The following table sets forth the value of the 2022 Notes with and without the embedded derivative, and the fair value of the embedded derivative (in thousands).

	June 30, 2015	December 31, 2014
Fair value of Convertible Notes:		
With the embedded derivatives	$15,264	$ 19,449
Without the embedded derivatives	15,264	19,449
Estimated fair value of the embedded derivatives	$-	$ -

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”). The agreement governing the 2013 Warrants includes the following terms:

- the 2013 Warrants have an exercise price, after applicable adjustments, of $12.65 per share, 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 2013 Warrants;
- the 2013 Warrants have an expiration date of December 16, 2018;
-

a holder of 2013 Warrants 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 2013Warrants through a cash exercise;

- the exercise price and the number and type of securities purchasable upon exercise of 2013 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 agreement governing the 2013 Warrants), 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, the Company or any successor entity will pay the 2013 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 2013 Warrants.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

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”). The agreement governing the 2014 Warrants includes the following terms:

- the 2014 Warrants have an exercise price, after applicable adjustments, of $8.30 per share, 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 2014 Warrants;
- the 2014 Warrants have an expiration date of August 5, 2019;
- a holder of the 2014 Warrants 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 2014 Warrants through a cash exercise;
- the exercise price and the number and type of securities purchasable upon exercise of the 2014 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 agreement governing the 2014 Warrants), 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, the Company or any successor entity will pay the 2014 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 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”).

The agreement governing the 2015 Series A Warrants includes the following terms:

- the 2015 Series A Warrants have an exercise price, after applicable adjustments, of $3.75 per share, 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 2015 Series A Warrants;
- the 2015 Series A Warrants have an expiration date of February 3, 2020;
- a holder of the 2015 Series A Warrants 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 2015 Series A Warrants through a cash exercise;
- the exercise price and the number and type of securities purchasable upon exercise of the 2015 Series A 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 agreement governing the 2015 Series A Warrants), 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, the Company or any successor entity will pay the 2015 Series A Warrants 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 2015 Series A Warrants.

The agreement governing the 2015 Series B Warrants includes the following terms:

- the 2015 Series B Warrants have an exercise price of $3.00 per share, 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 2015 Series A Warrants;

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

- the 2015 Series B Warrants have an expiration date of August 3, 2015;
- 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 2015 Series B Warrants agreement) of a share of the Company's common stock is 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 may exercise the 2015 Series B Warrants in a cashless exercise. This cashless exercise provision would, subject to certain limitations set forth in the warrant agreement, permit such 2015 Series B Warrants holder 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 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;
- a holder of the 2015 Series B Warrants may also 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 otherwise exercise the 2015 Series B Warrants through a cash exercise (except as otherwise described above);
- the exercise price and the number and type of securities purchasable upon exercise of the 2015 Series B 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 agreement governing the 2015 Series B Warrants), 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, the Company or any successor entity will pay the 2015 Series B Warrants 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 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").

The agreement governing the 2015 Series C Warrants includes the following terms:

- the 2015 Series C Warrants have an exercise price of $5.50 per share, 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 2015 Series C Warrants;
- the 2015 Series C Warrants have an expiration date of May 19, 2020;
- a holder of the 2015 Series C Warrants 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 2015 Series C Warrants through a cash exercise;
- the exercise price and the number and type of securities purchasable upon exercise of the 2015 Series C 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 agreement governing the 2015 Series C Warrants), 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, the Company or any successor entity will pay the 2015 Series C Warrants 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 2015 Series C Warrants.

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 $8.1 million and $3.1 million as of June 30, 2015 and December 31, 2014, respectively. The fair value of the 2015 Warrants as of their respective issuance

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

dates was $5.2 million and was recorded as a derivative warrant liability and a reduction of additional paid-in capital on the consolidated balance sheets. 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 six months ended June 30, 2015, Warrants were exercised as described below:

	Six Months Ended June 30, 2015	
	Common Stock	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).

	June 30, 2015	December 31, 2014

Accounts payable — trade	$ 1,541	$ 2,639
Accrued legal-related fees	2,392	2,944
Accrued employee compensation	626	801
Accrued interest	934	1,009
Other accrued liabilities *	1,121	1,195
Total accounts payable and accrued liabilities	$ 6,614	$ 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.

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

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

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 June 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 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 six months ended June 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.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

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

On January 28, 2015 and May 13, 2015, the Company entered into further 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 (a) the execution, delivery, and performance of the FCStone Agreements (as defined below) and the related Guaranty (as defined below), (b) the incurrence of indebtedness by the Company and Agri-Energy pursuant thereto and (c) the making of the investments by the Company and Agri-Energy thereunder.

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 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 June 30, 2015 of $26.1 million has been recorded at its estimated fair value of $22.0 million and is included in the 2017 Notes recorded at fair value on the consolidated balance sheets at June 30, 2015. Debt issuance costs of $1.5 million were expensed at issuance and a gain of $4.1 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 six months ended June 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.

	June 30, 2015	December 31, 2014
Stock price	$3.27	$ 4.80
Conversion Rate	57.6	57.6
Conversion Price	$17.38	$ 17.38
Maturity date	March 15, 2017	March 15, 2017
Risk-free interest rate	0.54 %	0.80 %
Estimated stock volatility	118.0 %	87.0 %
Estimated credit spread	27.0 %	15.0 %

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 Amount of Term Loans	Principal Amount of 2017 Notes	Change in Estimated 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	-	-	(3,425)	(3,425)
Balance - June 30, 2015	$ -	$ 26,108	$ (4,073)	$ 22,035

17

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the Term Loan and 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 six months ended June 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).

	June 30, 2015	December 31, 2014
Secured debt		
TriplePoint - May 2014 Advance	$666	$ 822
Total secured debt	666	822
Less:		
Unamortized debt discounts	(32)	(49)
	634	773
Less current portion of debt	(309)	(288)
Long-term portion of debt	$325	$ 485

Debt discounts associated with the issuance of the Company's secured debt and convertible notes are recorded on 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.

Original Agri-Energy Loan Agreement. In August 2010, Gevo Development borrowed $12.5 million from TriplePoint to finance its acquisition of Agri-Energy. In September 2010, upon completion of the acquisition, the loan and security agreement (the "Original Agri-Energy Loan Agreement") was amended to make Agri-Energy the borrower under the facility. In December 2013, the Company used $5.1 million of the proceeds from the offering of common stock units that was completed in December 2013 to pay off the remaining $5.1 million in outstanding principal under this loan. Pursuant to the amendments described below, the Company had also agreed to pay the end-of-term payment of $1.0 million associated with this loan in 12 equal monthly payments commencing January 2014 and ending December 2014.

Amended Agri-Energy Loan Agreement. In October 2011, the Original Agri-Energy Loan Agreement 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. 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 an amendment to its security agreement with TriplePoint (the "Gevo Security Agreement"), which secured its guarantee of Agri-Energy's obligations under the Amended Agri-Energy Loan Agreement.

June 2012 Amendments. In June 2012, the Company entered into (i) an amendment (the "Security Agreement Amendment") to the Gevo Security Agreement and (ii) an amendment (the "Gevo Loan Amendment") to the loan and security agreement entered into by Gevo, Inc. with TriplePoint in August 2010. In addition, concurrently with the execution of the Security Agreement Amendment and the Gevo Loan Amendment, Agri-Energy entered into an amendment to the Amended Agri-Energy Loan Agreement. These amendments, among other things, permitted the issuance of the 2022 Notes.

December 2013 Amendments. In December 2013, Gevo, Inc. entered into additional amendments to certain of its existing agreements with TriplePoint to, among other things:

· permit the issuance of warrants associated with the Company's December 2013 offering of common stock units;

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

- waive any prepayment premium (but not any end-of-term payment) with respect to the Original Agri-Energy Loan Agreement and the Amended Agri-Energy Loan Agreement;
- expand the events of default to add as an event of default the repurchase of the warrants;
- grant TriplePoint a lien and security interest in all of the intellectual property of the Company;
- re-price the three outstanding warrants to purchase common stock of the Company that are held by TriplePoint, which as of June 30, 2015 are exercisable in the aggregate for 25,894 shares of the Company's common stock, to reflect an exercise price equal to $17.70 per share; and
- during the period beginning January 2015, and continuing through and including the final monthly installment due under the Amended Agri-Energy Loan Agreement, adjust the monthly payment due and payable to 50% of the fully amortizing amount of principal and interest otherwise due and payable for such month, applied first to outstanding accrued interest and then to principal, with the remaining 50% portion of such required payments of principal and interest for such month accruing and made due and payable at the time of the final monthly installment.

May 2014 Amendments. 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 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 June 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 June 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, the Company entered into amendments to the Amended Agri-Energy Loan Agreement and the Gevo Security Agreement to, among other things, permit the offering and issuance of warrants and the incurrence of indebtedness by the Company under such warrants.

On 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.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

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 Derivatives	Principal Amount of 2022 Notes	Debt Discount	Total
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	-	-	2,633	2,633
Conversion		(2,000)	-	(2,000)
Balance - June 30, 2015	$ -	$ 24,900	$ (10,588)	$ 14,312

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 six months ended June 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 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 six months ended June 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 June 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 June 30, 2015. No amounts were recorded for the six months ended June 30, 2015.

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, 2012, during the year ended December 31, 2014, and during the six months ended June 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 six months ended June 30, 2015, the Company recorded \$0.4 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.

Development and Commercialization Agreements

Development and Commercialization Agreements with ICM, Inc. In October 2008, the Company signed development and commercialization agreements with ICM, Inc. (“ICM”).

Under the terms of the development agreement, the Company performed commercial-scale isobutanol production trials in ICM’s research plant and facility in St. Joseph, Missouri, the demonstration plant. The Company was required to pay for or reimburse ICM for engineering fees, equipment, plant modification costs, project fees and various operating expenses. In December 2011, the development agreement was amended to extend the term indefinitely. The development agreement, as amended, may be canceled by either party with 30 days prior written notice. The Company did not incur any costs relating to the demonstration plant during the six months ended June 30, 2015 or 2014.

The commercialization agreement, which was amended and restated in August 2011, is effective through October 2018, and outlines the terms and fees under which ICM acts as the Company’s exclusive provider of certain engineering and construction services. Also, under the commercialization agreement, the Company is ICM’s exclusive technology partner for the production of butanols, pentanols and propanols from the fermentation of sugars.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

The Company has also engaged ICM to perform engineering studies, plant evaluations and other services. In August 2011, the Company entered into a work agreement with ICM whereby ICM will provide engineering, procurement and construction services for the retrofit of ethanol plants.

License Agreement

License Agreement with Cargill, Incorporated. In February 2009, the Company entered into a license agreement with Cargill, Incorporated ("Cargill") to obtain certain biological materials and license patent rights to use a biocatalyst owned by Cargill. Under the license agreement, Cargill has granted the Company an exclusive, royalty-bearing license, with limited rights to sublicense, to use the patent rights in a certain field, as defined in the license agreement.

The license 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 the Company recorded the related milestone amounts, along with an up-front signing fee, totaling $0.9 million, to research and development expense. During March 2010, the Company 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 12 months from the date that it was incurred. As of December 2012, the Company had not completed milestone number four. However, under the terms of the agreement, the Company was entitled to pay a $0.5 million license fee in lieu of completing milestone number four. This fee was paid in March 2013 through the issuance of 250,000 shares of the Company's 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 June 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 the Company, subject to a minimum royalty amount per year, as defined in the license 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 a Company biocatalyst that utilizes the Cargill biological material or licensed patents for a royalty rate equal to the lowest rate offered to any third party.

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

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 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 (a) April 15, 2020 or (b) termination of the Origination Agreement.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

In June 2011, the Company announced that it had successfully produced fully renewable and recyclable polyethylene terephthalate ("PET") in cooperation with Toray Industries, Inc. ("Toray Industries"). Working directly with Toray Industries, the Company employed prototypes of commercial operations from the petrochemical and refining industries to make para-xylene from isobutanol. Toray Industries used the Company's bio-para-xylene ("bio-PX") and commercially available renewable mono ethylene glycol to produce fully renewable PET films and fibers. In June 2012, the Company 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, the Company received $1.0 million which was used by the Company for the design and construction of a demonstration plant. In May 2014, the Company successfully shipped the requisite volumes of bio-PX associated with its contract with Toray Industries (and, as a result, the Company 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 six months ended June 30, 2014).

In December 2011, the Company entered into a commercial off-take and marketing agreement with Land O'Lakes Purina Feed LLC ("Land O'Lakes Purina Feed") for the sale of iDGs™ produced by the Agri-Energy Facility. Land O' Lakes Purina Feed provides farmers and ranchers with an extensive line of agricultural supplies (feed, seed, and crop protection products) and services. Pursuant to the agreement, Land O'Lakes Purina Feed will be the exclusive marketer of the Company's iDGs™ and modified wet distiller's grains for the animal feed market. The agreement has an initial three-year term following the first commercial sales of iDGs™ with automatic one-year renewals thereafter unless terminated by one of the parties. Further, the Company's plans to work with Land O'Lakes Purina Feed to explore opportunities to upgrade the iDGs™ for special value-added applications in feed markets. Since beginning operations of the side-by-side configuration of our plant, the Company has sold marginal amounts of iDGs™, including during the period ended June 30, 2015. No amounts were recorded for the period ended June 30, 2015. Land O'Lakes Purina Feed also provides marketing services for the sale of the Company's ethanol distiller grains.

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 as a wholly owned subsidiary. Gevo Development has two classes of membership interests outstanding. Gevo, Inc. is the sole owner of the class A interests. Prior to September 2010, CDP Gevo, LLC ("CDP"), was the sole owner of the class B interests, which comprise 10% of the outstanding equity interests of Gevo Development. In September 2010, Gevo, Inc. became the sole owner of Gevo Development by acquiring 100% of the class B interests in Gevo Development from CDP pursuant to an equity purchase agreement. In exchange for the class B interests, CDP received aggregate consideration of $1.1 million.

The original issuance of the class B interests was considered to be a grant of non-employee stock-based compensation. As vesting of the awards was dependent on counterparty performance conditions (the acquisition and retrofit of a biorefinery plant), no compensation expense had been recorded prior to September 2010 because the lowest aggregate fair value of the awards was zero. Upon the purchase of the class B interests in September 2010, the Company recorded stock-based compensation of $0.8 million, which reflected the amount paid during 2010 for the class B interests that were not dependent on counterparty performance. The final payment of $0.1 million made in January 2012 was dependent on the continued employment of the two co-managing directors of Gevo Development. The employment of the co-managing directors was terminated effective March 2012 (as discussed in more detail below).

Gevo, Inc. made capital contributions to Gevo Development of $3.6 million during the six months ended June 30, 2015 and $13.7 million during the six months ended June 30, 2014.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

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 Ended June 30,	
	2015	2014
Gevo Development Net Loss	$(2,264)	$(4,065)

In connection with the formation of Gevo Development in September 2009, the Company granted CDP a warrant to purchase 57,200 shares of the Company's common stock. The warrant has an exercise price of $40.50 per share which represented the estimated fair value of Gevo, Inc.'s common stock on the date of grant. The warrant expires in September 2016, unless terminated earlier as provided in the agreement.

Since its formation, Gevo Development was previously considered a variable interest entity, however, is now a wholly owned subsidiary. Gevo, Inc., the primary beneficiary of Gevo Development, has both (i) the power to direct the activities of Gevo Development that most significantly impact Gevo Development's economic performance and (ii) the obligation to absorb losses of Gevo Development that could potentially be significant to Gevo Development or the right to receive benefits from Gevo Development that could potentially be significant to Gevo Development. As such, Gevo Development is consolidated. The accounts of Agri-Energy are consolidated within Gevo Development as a wholly owned subsidiary. As of June 30, 2015, Gevo Development does not have any assets that can be used only to settle obligations of Gevo Development. However, as of June 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. No gain or loss was recognized by the Company upon the initial consolidation of Gevo Development.

10. Redfield Energy, LLC

In June 2011, Gevo Development entered into an isobutanol joint venture agreement (the "Joint Venture Agreement") with Redfield Energy, LLC, a South Dakota limited liability company ("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, Gevo Development and Redfield have agreed to work together to retrofit Redfield's approximately 50 million gallon per year 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 Gevo Development. Gevo Development is the sole holder of Class G units, which entitle 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. Such rights will vest upon the commencement of commercial isobutanol production at the Redfield Facility, at which time Gevo Development anticipates consolidating Redfield's operations because Gevo anticipates it will control the activities that are most significant to the entity.

Gevo Development will be responsible for all costs associated with the retrofit of the Redfield Facility. Redfield will remain responsible for certain expenses incurred by the facility including certain repair and maintenance expenses and any costs necessary to ensure that the facility is in compliance with applicable environmental laws. The Company anticipates that the Redfield Facility will continue its current ethanol production activities during much of the retrofit. Once the retrofit assets have been installed, the ethanol production operations will be suspended to enable testing of the isobutanol production capabilities of the facility (the "Performance Testing Phase"). During the Performance Testing Phase, Gevo Development will be entitled to receive all revenue generated by the Redfield Facility and will make payments to Redfield to cover the costs incurred by Redfield to operate the facility plus the profits, if any, that Redfield would have received if the facility had been producing ethanol during that period (the "Facility Payments"). Gevo Development has also agreed to maintain an escrow fund during the Performance Testing Phase as security for its obligation to make the Facility Payments.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

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) Gevo Development will have the right to appoint a total of four members of Redfield's 11-member board of managers, and (ii) the voting and economic interests of the Class G units will vest and 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.

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 has begun. Additionally, Gevo, Inc. will 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 will forfeit the Class G Units and lose the value of its 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 June 30, 2015, the Company has incurred $0.4 million in preliminary project engineering and permitting process costs for the future retrofit of the Redfield Facility which have been recorded on the Company's consolidated balance sheets in deposits and other assets.

11. Stock-Based Compensation

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Stock options and employee stock purchase plan awards				
Research and development	$29	$128	$74	$259
Selling, general and administrative	76	225	175	539
Restricted stock awards				

Research and development	80	87	181	271
Selling, general and administrative	111	198	268	434
Total stock-based compensation	$296	$638	$698	$1,503

12. Commitments and Contingencies

Legal Matters. On January 14, 2011, Butamax filed a complaint (the “Complaint”) in the Delaware District Court, as Case No. 1:11-cv-00054-SLR, alleging that the Company is infringing one or more claims made in U.S. Patent No. 7,851,188 (the “’188 Patent”), entitled “Fermentive Production of Four Carbon Alcohols.” The ’188 Patent, which has been assigned to Butamax, claims certain recombinant microbial host cells that produce isobutanol and methods for the production of isobutanol using such host cells. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney’s fees and expenses. On March 25, 2011, the Company filed a response to the Complaint, denying Butamax’s allegations of infringement and raising affirmative defenses.

On August 11, 2011, Butamax amended the Complaint to include allegations that the Company is infringing one or more claims made in U.S. Patent No. 7,993,889 (the “’889 Patent”), also entitled “Fermentive Production of Four Carbon Alcohols” (the “Amended Complaint”). The ’889 Patent, which has been assigned to Butamax, claims methods for producing isobutanol using certain recombinant yeast microorganisms expressing an engineered isobutanol biosynthetic pathway. The Company believes that the Amended Complaint is without merit and will continue to aggressively defend its freedom to operate.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

On September 13, 2011, the Company filed an answer to the Amended Complaint in which it asserted counterclaims against Butamax and DuPont for infringement of U.S. Patent No. 8,017,375 (the "'375 Patent"), entitled "Yeast Organism Producing Isobutanol at a High Yield" and U.S. Patent No. 8,017,376 (the "'376 Patent"), entitled "Methods of Increasing Dihydroxy Acid Dehydratase Activity to Improve Production of Fuels, Chemicals, and Amino Acids." The counterclaims sought a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses. These counterclaims were set for trial in August 2013. On July 26, 2013, the Delaware District Court issued an order regarding claim construction and summary judgment of the Company's counterclaims involving the '375 and '376 Patents. Both parties had asked the Delaware District Court to resolve certain issues regarding the '375 and '376 Patents without a trial by seeking summary judgment from the Delaware District Court. Butamax had filed motions seeking summary judgment that it did not infringe such patents and the Delaware District Court granted Butamax's motions on this issue. Butamax had also moved for summary judgment of invalidity on both patents. The Delaware District Court granted Butamax's motion of invalidity on the '375 Patent, but denied Butamax's motion of invalidity on the '376 Patent. On August 8, 2013, an order was issued by the Delaware District Court which entered a final judgment of non-infringement in favor of Butamax and DuPont with respect to the claims of the '375 and '376 Patents. The August 8, 2013 order also entered a final judgment of invalidity in favor of Butamax and DuPont with respect to the claims of the '375 Patent. In addition, it was further ordered that the Butamax and DuPont claims and counterclaims relating to the unenforceability of the '375 Patent, and the invalidity and/or unenforceability of the '376 Patent, would be dismissed without prejudice, and that the Butamax and DuPont claims for exceptional case, attorney's fees and/or costs would be preserved for later presentation to the Delaware District Court. As a result of the August 8, 2013 order, a trial did not occur on August 12, 2013 as previously scheduled. On August 26, 2014, Butamax and DuPont's claims for exceptional case, attorney's fees and/or costs were denied.

On September 22, 2011, Butamax filed a motion for preliminary injunction with respect to the alleged infringement by the Company of one or more claims made in the '889 Patent.

On January 24, 2012, the Company filed a complaint in the Delaware District Court, as Case No. 1:12-cv-00070-SLR, alleging that Butamax and DuPont are infringing one or more claims made in U.S. Patent No. 8,101,808 (the "'808 Patent") entitled "Recovery of Higher Alcohols from Dilute Aqueous Solutions." The '808 Patent claims methods to produce a C3-C6 alcohol—for example, isobutanol—through fermentation and to recover that alcohol from the fermentation medium. The Company sought a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses. On May 8, 2013, the Company stipulated and agreed to dismiss without prejudice the '808 Patent suit against Butamax, DuPont, and their respective affiliates, with each side bearing its own costs and fees in the action. The Company and Butamax further stipulated and agreed that the Company shall not re-assert the '808 Patent against Butamax, DuPont, or their respective affiliates until a final Certificate of Reexamination is received from the U.S. Patent and Trademark Office ("USPTO") in Inter Partes Reexamination Control No. 95/000,666.

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 is infringing one or more claims made in U.S. Patent No. 8,129,162, entitled "Ketol-Acid Reductoisomerase Using NADH." This complaint is in addition to the Amended Complaint discussed above. Butamax is seeking a declaratory judgment, injunctive relief, damages, interest, costs and expenses, including attorney's fees. The Company believes that it has meritorious defenses to these claims and intends to vigorously defend this lawsuit. This case is scheduled for trial on April 25, 2016.

On March 13, 2012, the Company filed a complaint in the Delaware District Court, as Case No. 1:12-cv-00301-SLR, alleging that Butamax and DuPont are infringing U.S. Patent No. 8,133,715 (the "'715 Patent"), entitled "Reduced By-Product Accumulation for Improved Production of Isobutanol." The '715 Patent claims recombinant microorganisms, including yeast, with modifications for the improved production of isobutanol. The Company is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses.

On April 10, 2012, the Company filed a complaint (the “Gevo Complaint”) in the Delaware District Court, as Case No. 1:12-cv-00448-SLR, alleging that Butamax and DuPont are infringing one or more claims made in U.S. Patent No. 8,153,415 (the “’415 Patent”) entitled “Reduced By-Product Accumulation for Improved Production of Isobutanol.” The ’415 Patent claims technology which eliminates two pathways that compete for isobutanol pathway intermediates in yeast. The Company is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney’s fees and expenses.

On April 17, 2012, the Company amended the Gevo Complaint to include allegations that Butamax and DuPont are infringing one or more claims made in U.S. Patent No. 8,158,404 (the “’404 Patent”) entitled “Reduced By-Product Accumulation for Improved Production of Isobutanol.” The ’404 Patent claims the reduction or elimination of important enzymes in a pathway in isobutanol- producing yeast. The Company is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney’s fees and expenses.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

On May 9, 2012, coordinated discovery was ordered for Case Nos. 1:12-cv-00070-SLR, 1:12-cv-00298-SLR, 1:12-cv-00301-SLR, and 1:12-cv-00448-SLR. By virtue of the same order, discovery in Case No. 1:12-cv-00602-SLR was also coordinated with these cases.

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 is infringing one or more claims made in U.S. Patent No. 8,178,328, entitled "Fermentive Production of Four Carbon Alcohols." Butamax is seeking a declaratory judgment, injunctive relief, damages, interest, costs and expenses, including attorney's fees. The Company believes that it has meritorious defenses to these claims and intends to vigorously defend this lawsuit. This case is scheduled for trial on April 25, 2016.

On June 19, 2012, the Delaware District Court denied the motion for preliminary injunction which was filed by Butamax on September 22, 2011 with respect to the alleged infringement by the Company of one or more claims made in the '889 Patent. As is normal and customary in patent infringement actions of this nature, Butamax then filed a notice of appeal. In connection with their appeal, Butamax also filed a motion with the Delaware District Court seeking a temporary order to limit the Company's activities with respect to the automotive fuel blending market while Butamax appealed the denial of its motion for preliminary injunction.

On July 6, 2012, the Delaware District Court issued a temporary order which stated, in part, that the Company could not deliver, provide, distribute, ship, release or transfer in any way bio-isobutanol produced at the Agri-Energy Facility to any third party for any use or purpose related to the automotive fuel blending market while Butamax appealed the denial of its motion for preliminary injunction. The Company filed an appeal of the temporary order. Under the temporary order, the Company remained free to operate in markets such as chemicals, jet fuel, marine fuel and small engine fuel. On August 10, 2012, the U.S. Court of Appeals for the Federal Circuit (the "Federal Circuit Court") granted the Company's motion to stay the status quo order entered on July 6, 2012 by the Delaware District Court. On November 16, 2012, the Federal Circuit Court affirmed the Delaware District Court's denial of Butamax's preliminary injunction motion.

On July 31, 2012, the Company filed a complaint in the United States District Court for the Eastern District of Texas, as Case No. 2:12-cv-00417, alleging that Butamax, DuPont, BP p.l.c., BP Corporation North America Inc. and BP Biofuels North America LLC are infringing U.S. Patent No. 8,232,089 (the "'089 Patent), entitled "Cytosolic Isobutanol Pathway Localization for the Production of Isobutanol." The Company is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses. On December 17, 2012, this case was transferred to the Delaware District Court as Case No. 1:12-cv-01724-SLR. On February 19, 2013, BP p.l.c. filed a motion seeking to dismiss the Company's complaint for failure to state a claim against it. On March 8, 2013, the Company filed a response in opposition to BP p.l.c.'s motion. On March 18, 2013, BP p.l.c. filed its reply brief, and the issue was submitted to the court for decision. On July 8, 2013, the court granted BP p.l.c.'s motion. Despite the court's decision, Butamax, DuPont, BP Corporation North America Inc. and BP Biofuels North America LLC remain defendants in the suit.

On July 31, 2012, Butamax and DuPont filed a lawsuit in the Delaware District Court for declaratory judgment against the Company, as Case No. 1:12-cv-00999-SLR, seeking a judicial determination that the '089 Patent is invalid and that Butamax and DuPont do not infringe it. On January 28, 2013, this case was closed following a voluntary stipulation of dismissal filed by both parties.

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 is infringing U.S. Patent No. 8,222,017, entitled "Ketol-Acid Reductoisomerase Using NADH." Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses. This case is scheduled for trial on April 25, 2016. On January 22, 2013, discovery in this case was consolidated with Case Nos. 1:12-cv-00070-SLR, 1:12-cv-00298-SLR, 1:12-cv-00301-SLR, 1:12-cv-00448-SLR, and 1:12-cv-00602-SLR. In December 2013, Gevo withdrew claims of infringement against Butamax in Case Nos. 1:12-cv-00301-SLR, and 1:12-cv-00448-SLR. Despite the withdrawal of the infringement claims by Gevo against Butamax in Case Nos. 1:12-cv-00301-SLR and 1:12-cv-00448-SLR, Butamax continues to pursue counterclaims of invalidity in these cases.

On August 14, 2012, the Company filed a lawsuit in the United States District Court for the Eastern District of Texas for declaratory judgment against Butamax, DuPont, BP p.l.c., BP Corporation North America Inc. and BP Biofuels North America LLC, as Case No. 2:12-cv-00435, seeking a judicial determination that a recently issued Butamax U.S. Patent No. 8,241,878 (the "'878 Patent"), entitled "Recombinant Yeast Host Cell with Fe-S Cluster Proteins and Methods of Using Thereof" is invalid and that the Company does not infringe it. On December 17, 2012, this case was transferred to the Delaware District Court as Case No. 1:12-cv-01725-SLR. On January 28, 2013, this case was closed following a voluntary stipulation of dismissal filed by both parties.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

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 is infringing the ’878 Patent. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney’s fees and expenses.

On September 25, 2012, the Company filed a complaint in the Delaware District Court, as Case No. 1:12-cv-01202-SLR, alleging that Butamax and DuPont are infringing U.S. Patent No. 8,273,565 (the “’565 Patent”), entitled “Methods of Increasing Dihydroxy Acid Dehydratase Activity to Improve Production of Fuels, Chemicals, and Amino Acids.” The Company is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney’s fees and expenses. On September 25, 2012, Butamax and DuPont filed a lawsuit in the Delaware District Court for declaratory judgment against the Company, as Case No. 1:12-cv-01201-SLR, seeking a judicial determination that the ’565 Patent is invalid and that Butamax and DuPont do not infringe it. On August 9, 2013, Case Nos. 1:12-cv-01202-SLR and 1:12-cv-01201-SLR were closed following a voluntary stipulation of dismissal filed by both parties.

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 is infringing U.S. Patent No. 8,273,558 (the “’558 Patent”), entitled “Fermentive Production of Four Carbon Alcohols. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney’s fees and expenses. This case is scheduled for trial on August 24, 2015.

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 is infringing U.S. Patent No. 8,283,144 (the “’144 Patent”), entitled “Fermentive Production of Four Carbon Alcohols. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney’s fees and expenses. This case is scheduled for trial on August 24, 2015.

On October 8, 2012, Butamax filed a lawsuit in the Delaware District Court for declaratory judgment against the Company, as Case No. 1:12-cv-01301-SLR, seeking a judicial determination that Butamax is not infringing the Company’s U.S. Patent No. 8,283,505, entitled “Recovery of Higher Alcohols from Dilute Aqueous Solutions.” On January 28, 2014 the Delaware District Court issued an order dismissing Case No. 1:12-cv-01301-SLR.

On February 13, 2013, coordinated discovery was ordered for Case Nos. 1:12-cv-01036-SLR, 1:12-cv-01200-SLR, 1:12-cv-01201-SLR, 1:12-cv-01202-SLR, 1:12-cv-01300-SLR, 1:12-cv-01301-SLR, and 1:12-cv-01724-SLR. Case Nos. 1:12-cv-01036-SLR, 1:12-cv-01200-SLR and 1:12-cv-01300-SLR are currently set for trial on August 24, 2015.

On March 19, 2013, the Delaware District Court issued an order regarding claim construction and summary judgment in the patent suit involving the ’188 Patent and the ’889 Patent. Both parties had asked the Delaware District Court to resolve certain issues regarding the ’188 Patent and the ’889 Patent without a trial by seeking summary judgment from the court. Butamax had filed a motion seeking summary judgment that the Company infringed such patents, but the Delaware District Court denied Butamax’s motion. The Company moved for summary judgment of noninfringement, both as a matter of literal infringement and infringement under the doctrine of equivalents, and the Delaware District Court granted the Company’s motion regarding doctrine of equivalents infringement. The Company also moved for summary judgment of invalidity of various claims in the ’188 Patent and the ’889 Patent. The Delaware District Court granted this motion in part, ruling that Butamax’s claims related to the inactivation of competing pathways for carbon flow were invalid.

The Delaware District Court also provided certain claim construction rulings, including a ruling that Butamax’s patent claims were limited to an “acetohydroxy acid isomeroreductase” enzyme that is “NADPH-dependent.”

On March 20, 2013, the Delaware District Court held the final pre-trial hearing leading up to the trial on the ’188 Patent and the ’889 Patent scheduled to commence April 1, 2013. During the hearing, Butamax’s attorney acknowledged that the Company does not infringe such patents under the Delaware District Court’s construction of a key claim term in such patents, “acetohydroxy acid isomeroreductase.” Butamax offered to stipulate to no literal infringement under the Delaware District Court’s construction. In view of this stipulation and the Delaware District Court’s prior ruling of no infringement under Butamax’s alternative infringement theory, the doctrine of equivalents, on April 10, 2013 a judgment of no infringement was entered in favor of the Company.

On April 19, 2013, Butamax filed a notice of appeal with the Federal Circuit Court to appeal the Delaware District Court’s Memorandum and Order of March 19, 2013, and the Delaware District Court’s Amended Final Judgment of April 10, 2013. Oral arguments for the Butamax appeal were heard by the Federal Circuit Court on November 7, 2013.

On February 18, 2014, the Federal Circuit Court vacated the Delaware District Court’s denial of Butamax’s motion for summary judgment of literal infringement of the asserted claims of the ’188 Patent and the ’889 Patent and remanded the question of

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

infringement to the Delaware District Court for reconsideration under a revised claim construction. The Federal Circuit Court also vacated and remanded the Delaware District Court's grant of Gevo's motion for summary judgment of noninfringement under the doctrine of equivalents. The Federal Circuit Court also reversed the Delaware District Court's grant of Gevo's motion for summary judgment of invalidity for lack of a written description of claims 12 and 13 of the '889 Patent and the Delaware District Court's order that those same claims are invalid for lack of enablement. The remanded trial for the '188 and '889 patents in the Delaware District Court was scheduled to be held on July 21, 2014. On April 22, 2014, the Company filed a Petition for Writ of Certiorari with the Supreme Court of the United States (the "U.S. Supreme Court") to appeal the Federal Circuit Court decision. On April 25, 2014, the Company filed a motion to stay the Delaware District Court's July 21, 2014 trial pending the disposition of the Company's Petition for Writ of Certiorari with the U.S. Supreme Court and any follow-on proceedings.

On July 11, 2014, the Delaware District Court granted the Company's motion to stay the patent litigation on the '188 Patent and '889 Patent. The District Court's decision postpones the trial in this action, which was scheduled to begin on July 21, 2014. The decision by the Delaware District Court was based on the status of the Company's Petition for Writ of Certiorari with the U.S Supreme Court. Oral arguments in Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc. (the "Teva Case") occurred on October 15, 2014 and on January 20, 2015, the U.S. Supreme Court ruled in Teva's favor and determined that the Federal Circuit Court must now apply the "clear error" standard of review and cannot set aside District Courts' findings of fact unless they were clearly erroneous. On January 26, 2015, the U.S. Supreme Court ruled in Gevo's favor, vacated an earlier Federal Circuit Court ruling on the interpretation of key Butamax patent claims and remanded the case back to the Federal Circuit Court for consideration in light of the new "clear error" standard of appellate review that was decided in the Teva Case.

On February 18, 2014, the Delaware District Court granted Gevo's motion to stay the litigation regarding Gevo's '715 Patent, '404 Patent and '415 Patent pending the USPTO's issuance of a Right to Appeal Notice during inter partes re-examination of those patents.

On August 3, 2015, the Delaware District Court issued its determinations concerning several pending motions for summary judgment in Case Nos. 12-1036-SLR; 12-1200-SLR; and 12-1300-SLR. Specifically, the Court denied all of Butamax's motions for summary judgment that we infringed various claims of the '878 Patent, the '558 Patent, and the '144 Patent. The Delaware District Court granted one of the Company's motions for summary judgment of invalidity regarding the asserted claims of the '878 Patent, finding that the claims are not definite. The Delaware District Court granted the Company's motion for summary judgment that claim 3 of the '878 Patent was not infringed under the doctrine of equivalents, and the Delaware District Court granted the Company's motion for summary judgment of no willful infringement. Disputes of fact regarding infringement and invalidity of the asserted claims of the '144 and '558 Patents remain unresolved and are set to be determined during a trial set for August 24, 2015.

Due to the nature and stage of this litigation, the Company has determined that the possible loss or range of loss related to this litigation cannot be reasonably estimated at this time. The next Delaware District Court trial for the Butamax litigation is currently scheduled for August 24, 2015 and an additional trial is scheduled for April 25, 2016. The Company expects to continue to incur significant costs related to its involvement in the foregoing legal proceedings.

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 June 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 June 30, 2015 or as of December 31, 2014.

13. 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.

While the Company believes that its valuation methods, as set forth below, 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

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 during the six months ended June 30, 2015.

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.

The TriplePoint – May 2014 Advance has a principle balance of $0.7 million with an estimated fair value of $0.6 million.

2017 Notes. The Company has estimated the fair value of the 2017 Notes, to be $22.0 million and $25.5 million at June 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 June 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 June 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 June 30, 2015 to be $1.6 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 June 30, 2015 to be $0.7 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 June 30, 2015 due to the lack of market trades of the 2014 Warrants on June 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 June 30, 2015 to be $4.6 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 June 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 and as of June 30, 2015 to be $0.1 million based upon Level 3 inputs utilizing an analysis of actual historical market trades of the 2015 Series B Warrants and the Black Scholes model. The Company relied on Level 3 inputs for estimating the fair value of the 2015 Series B Warrants as of February 3, 2015 and June 30, 2015 due to the lack of market trades of the 2015 Series B Warrants around those respective dates.

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, 2015 to be $1.3 million and as of June 30, 2015 to be $1.0 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 June 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.

14. 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.

GEVO, INC.
Notes to Unaudited Consolidated Financial Statements (Continued)

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Gevo	$969	$2,216	$1,770	$3,102
Gevo Development / Agri-Energy	7,955	5,505	13,053	5,522
Consolidated	$8,924	$7,721	$14,823	$8,624
Loss from operations:				
Gevo	$(4,440)	$(5,979)	$(9,664)	$(13,833)
Gevo Development / Agri-Energy	(2,091)	(3,053)	(6,403)	(8,121)
Consolidated	$(6,531)	$(9,032)	$(16,067)	$(21,954)
Interest expense:				
Gevo	$2,003	$4,789	$4,010	$5,913
Gevo Development / Agri-Energy	26	1,005	54	1,482
Consolidated	$2,029	$5,794	$4,064	$7,395
Depreciation expense:				
Gevo	$202	$239	$413	$480
Gevo Development / Agri-Energy	1,417	539	2,868	1,124
Consolidated	$1,619	$778	$3,281	$1,604
Acquisitions of plant, property and equipment:				