Gevo, Inc.
Form 10-Q
August 10, 2016

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, 2016

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 July 29, 2016, 89,523,003 shares of the registrant’s common stock were outstanding.

GEVO, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GEVO, INC.

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	(unaudited) June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 22,617	$ 17,031
Accounts receivable	1,674	1,391
Inventories	2,885	3,487
Prepaid expenses and other current assets	884	731
Total current assets	28,060	22,640
Property, plant and equipment, net	77,773	76,777
Restricted deposits	2,611	2,611
Deposits and other assets	803	803
Total assets	$ 109,247	$ 102,831
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,703	$ 7,476
Current portion of secured debt, net	324	330
Current portion 2017 Notes recorded at fair value	23,340	-
Derivative warrant liability	6,150	10,493
Total current liabilities	34,517	18,299
Long-term portion of secured debt, net	-	153
Long term portion 2017 Notes recorded at fair value	-	21,565
2022 Notes, net	16,545	14,341
Other long-term liabilities	-	147
Total liabilities	51,062	54,505
Commitments and Contingencies (see Note 11)		

Stockholders' Equity		
Common stock, $0.01 par value per share; 250,000,000 authorized; 89,234,771 and 21,607,048 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	892	216
Additional paid-in capital	421,876	387,602
Deficit accumulated	(364,583)	(339,492)
Total stockholders' equity	58,185	48,326
Total liabilities and stockholders' equity	$ 109,247	$ 102,831

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,	
	2016	2015	2016	2015
Revenue and cost of goods sold				
Ethanol sales and related products, net	$ 7,168	$ 7,955	$ 12,925	$ 13,053
Hydrocarbon revenue	713	740	1,011	1,257
Grant and other revenue	232	229	497	513
Total revenues	8,113	8,924	14,433	14,823
Cost of goods sold	9,989	9,898	19,212	19,132
Gross loss	(1,876)	(974)	(4,779)	(4,309)
Operating expenses				
Research and development expense	1,469	1,765	2,513	3,487
Selling, general and administrative expense	2,147	3,792	4,066	8,271
Total operating expenses	3,616	5,557	6,579	11,758
Loss from operations	(5,492)	(6,531)	(11,358)	(16,067)
Other (expense) income				
Interest expense	(2,246)	(2,029)	(4,396)	(4,064)
(Loss)/Gain on conversion of debt	-	-	-	285
(Loss)/Gain on extinguishment of warrant liability	(923)	1,775	(923)	1,775
(Loss)/Gain from change in fair value of the 2017 Notes	(940)	(340)	(1,775)	3,425
(Loss)/Gain from change in fair value of derivative warrant liability	(10,573)	(7,247)	(5,325)	(7,080)
Loss on issuance of equity	(1,519)	-	(1,519)	-
Other income	206	2	206	13
Total other expense, net	(15,995)	(7,839)	(13,732)	(5,646)
Net loss	(21,487)	(14,370)	(25,090)	(21,713)
Net loss per share - basic and diluted	$ (0.44)	$ (1.10)	$ (0.70)	$ (2.03)
Weighted-average number of common shares outstanding - basic and diluted	49,085,638	13,009,434	36,050,983	10,673,891

See notes to unaudited consolidated financial statements.

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GEVO, INC.

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Six Months Ended June 30, 2016	2015
Operating Activities		
Net loss	$(25,090)	$(21,713)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss/(Gain) from change in fair value of derivative warrant liability	5,325	7,080
Loss/(Gain) from change in fair value of the 2017 Notes	1,775	(3,425)
Loss/(Gain) on conversion of debt	-	(285)
Loss/(Gain) on extinguishment of warrant liability	923	(1,775)
Loss/(Gain) on issuance of equity	1,519	-
Stock-based compensation	542	698
Depreciation and amortization	3,282	3,281
Non-cash interest expense	2,130	1,767
Changes in operating assets and liabilities:		
Accounts receivable	(283)	42
Inventories	602	1,389
Prepaid expenses and other current assets	(153)	160
Accounts payable, accrued expenses, and long-term liabilities	(1,937)	(2,104)
Net cash used in operating activities	(11,365)	(14,885)
Investing Activities		
Acquisitions of property, plant and equipment	(4,847)	(175)
Proceeds from sales tax refund for property, plant and equipment	-	144
Net cash used in investing activities	(4,847)	(31)

See notes to unaudited consolidated financial statements.

GEVO, INC.

Consolidated Statements of Cash Flows - Continued

(in thousands)

(unaudited)

	Six Months Ended June 30, 2016	2015
Financing Activities		
Payments on secured debt	(84)	(131)
Debt and equity offering costs	(1,997)	(2,785)
Proceeds from issuance of common stock and common stock units	13,023	23,850
Proceeds from the exercise of warrants	10,856	10,151
Net cash provided by financing activities	21,798	31,085
Net increase in cash and cash equivalents	5,586	16,169
Cash and cash equivalents		
Beginning of period	17,031	6,359
End of period	$22,617	$22,528

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, 2016	2015
Cash paid for interest, net of interest capitalized	$2,165	$2,297
Non-cash purchase of property, plant and equipment	$-	$15
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
Series F Warrant issuance	$2,162	$-
Series G Warrant issuance	$1,577	$-
Series H Warrant issuance	$1,060	$-

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 was incorporated in Delaware on June 9, 2005.

Gevo 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.

In September 2015, the Company began deploying additional capital at the Agri-Energy Facility, primarily designed to decrease the cost of isobutanol production by insourcing parts of the process that have previously been done off-site by third parties. This required the cessation of isobutanol production while this equipment was being installed. In March 2016, the Company completed these capital projects and reestablished isobutanol production in one fermenter.

As of June 30, 2016, the Company's business activities were focused on the following areas: optimizing the co-production of isobutanol, ethanol and related products at the Agri-Energy Facility; research and development; business development; business and financial planning; 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 repay or refinance its debt and 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.

Financial Condition. For the six months ended June 30, 2016 and 2015, the Company incurred a consolidated net loss of $25.1 million and $21.7 million, respectively, and had an accumulated deficit of $364.6 million at June 30, 2016. The Company's cash and cash equivalents at June 30, 2016 totaled $22.6 million which will be used for the following: (i) operating activities of the Agri-

Energy Facility; (ii) operating activities at the Company's corporate headquarters in Colorado, including research and development work; (iii) capital improvements primarily associated with the Agri-Energy Facility; (iv) costs associated with optimizing isobutanol production technology; (v) exploration of restructuring, strategic alternatives and new financings; and (vi) debt service and repayment obligations.

The Company expects to incur future net losses as it continues to fund the development and commercialization of its product candidates. To date, the Company has financed its operations primarily with proceeds from multiple sales of equity and debt securities, borrowings under debt facilities and product sales. While existing working capital at June 30, 2016 was sufficient to meet the cash requirements to fund planned operations through December 31, 2016, it is not sufficient to satisfy all of our debt obligations expected to become due and payable in 2017. These conditions raise substantial doubt about our ability to continue as a going concern. Our inability to continue as a going concern may potentially affect our rights and obligations under our debt obligations and may lead to bankruptcy.

The Company's transition to profitability is dependent upon, among other things, raising additional capital, repaying or refinancing its debt, the successful development and commercialization of its products and product candidates the achievement of a level of revenues adequate to support the Company's existing cost structure and the repayment or restructuring of the Company's debt obligations. The Company may never achieve profitability or generate positive cash flows, and unless and until it does, the Company will continue to need to raise additional capital. 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, may seek to restructure its debt and it will continue to address its cost structure. The Company intends to continue to explore various financing alternatives to improve its capital structure, including reducing debt and extending maturities. These efforts may include investments from a strategic partner, new equity or debt financings or exchange offers with the Company's existing debt holders (including exchanges of debt for debt or equity securities) and other transactions involving the Company's outstanding debt securities. 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.

Although substantial doubts exist about the Company's ability to continue as a going concern, the accompanying financial statements have been prepared assuming that the Company will continue as a going concern and do not include adjustments that might result from the outcome of this uncertainty. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of liabilities in the normal course of business.

Basis of Presentation. The unaudited consolidated financial statements of the Company (which include the accounts of its wholly-owned subsidiaries Gevo Development and Agri-Energy) have been prepared, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company at June 30, 2016 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, 2015 (the "Annual Report").

Reverse Stock Split. On April 15, 2015, the Board of Directors of the Company approved a reverse split of the Company's common stock, par value $0.01, at a ratio of one-for-fifteen. This reverse stock split became effective on

April 20, 2015 and, unless otherwise indicated, all share amounts, per share data, share prices, exercise prices and conversion rates set forth in these notes and the accompanying consolidated financial statements have, where applicable, been adjusted retroactively to reflect this reverse stock split.

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

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”). The objective of ASU 2014-15 is to provide guidance in GAAP about

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

management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new GAAP guidance requires a management evaluation about whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued or available to be issued. In doing so, ASU 2014-15 should reduce diversity in the timing and content of footnote disclosures. ASU 2014 15 is effective for fiscal years and interim periods within those years beginning after December 15, 2016. The Company is currently evaluating the impact of adopting ASU 2014-15.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory ("ASU 2015-11") which requires an entity to measure in scope inventory at the lower of cost and net realizable value. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. The amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently in the process of evaluating the impact of adoption of ASU 2015-11 on its consolidated balance sheets.

Adoption of New Accounting Pronouncements. In April 2015, the FASB issued Accounting Standards Update No. 2015-03 Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03") 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 the Company's 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 has adopted the guidance as of January 1, 2016. The adoption of this guidance had an immaterial impact on our financial position and has resulted in the following retrospective adjustments to our consolidated balance sheet (in thousands):

	December 31, 2015	
	As reported	As adjusted
Total Assets	$103,128	$102,831
Current portion of secured debt, net	$332	$330
2022 Notes, net	$14,636	$14,341

2. Earnings per Share

Basic net loss per share is computed by dividing the net loss attributable to Gevo common stockholders for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) 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, 2016 and 2015 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.

	June 30,	
	2016	2015
Warrants to purchase common stock	15,160,497	4,023,861
2017 Notes	1,503,821	1,502,532
2022 Notes	262,333	291,612
Outstanding options to purchase common stock	743,074	221,679
Unvested restricted common stock	249,772	48,633
Total	17,919,497	6,088,317

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

3. Inventories

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

	June 30, 2016	December 31, 2015
Raw materials		
Corn	$124	$ 517
Enzymes and other inputs	306	283
Nutrients	4	5
Finished goods		
Ethanol	81	172
Isobutanol	128	239
Jet Fuels	492	514
Distiller's grains	20	13
Work in process - Agri-Energy	322	220
Work in process - Gevo	86	109
Spare parts	1,322	1,415
Total inventories	$2,885	$ 3,487

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, 2016	December 31, 2015
Construction in progress	-	$456	$1,801
Plant machinery and equipment (1)	10 years	13,893	14,113
Site improvements	10 years	7,039	7,039
Agri-Energy retrofit asset (1)	20 years	71,266	65,457
Lab equipment, furniture and fixtures and vehicles	5 years	6,398	6,389
Demonstration plant	2 years	3,597	3,597
Buildings	10 years	2,543	2,543
Computer, office equipment and software	3 years	1,586	1,566
Leasehold improvements, pilot plant, land and support equipment	2 - 5 years	2,175	2,175
Total property, plant and equipment		108,953	104,680
Less accumulated depreciation and amortization		(31,180)	(27,903)

Property, plant and equipment, net	$77,773	$76,777

(1) In May 2016, certain assets of the Agri-Energy retrofit asset were reclassified from plant and equipment to the Agri-Energy retrofit asset.

Included in cost of goods sold is depreciation of $2.9 million during each of the six months ended June 30, 2016 and 2015, respectively.

Included in operating expenses is depreciation of $0.3 million and $0.4 million during the six months ended June 30, 2016 and 2015, respectively.

5. Embedded Derivatives

Convertible 2022 Notes

In July 2012, the Company issued 7.5% convertible senior notes due July 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

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

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 model, 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.

Inputs used to estimate the value of the embedded derivative as of June 30, 2016 were substantially similar to those used as of the period ended December 31, 2015. Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the embedded derivatives. For example, the estimated fair value of the embedded derivatives will generally decrease with: (i) a decline in the stock price; (ii) a decrease in the estimated stock volatility; and (iii) a decrease in the estimated credit spread.

Derivative Warrant Liability

In December 2013, the Company sold warrants to purchase 1,420,250 shares of the Company’s common stock (the “2013 Warrants”). In August 2014, the Company sold warrants to purchase 1,000,000 shares of the Company’s common stock (the “2014 Warrants”). In February 2015, the Company sold Series A warrants to purchase 2,216,667 shares of the Company’s common stock (the “Series A Warrants”) and Series B warrants to purchase 2,216,667 shares of the Company’s common stock (the “Series B Warrants”). In May 2015, the Company sold Series C warrants to purchase 430,000 shares of the Company’s common stock (the “Series C Warrants”). In December 2015, the Company sold Series D warrants to purchase 10,050,000 shares of the Company’s common stock (the “Series D Warrants”) and Series E warrants to purchase 8,000,000 shares of the Company’s common stock (the “Series E Warrants”). In April 2016, the Company sold 10,292,858 Series F warrants (Series F Warrants”) to purchase one share of common stock (each a

"Series F Warrant") and 20,585,716 Series H warrants, each to purchase one share of common stock (each, a "Series H Warrant"), and 6,571,429 pre-funded Series G warrant ("Series G Warrants") to purchase one share of common stock, pursuant to an underwritten public offering.

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

The following table sets forth information pertaining to shares issued upon the exercise of such warrants as of June 30, 2016:

	Issuance Date	Expiration Date	Exercise Price		Shares Underlying Warrants on Issuance Date	Shares Issued upon Warrant Exercises as of June 30, 2016	Shares Underlying Warrants Outstanding as of June 30, 2016
2013 Warrants	12/16/2013	12/16/2018	$ 3.57		1,420,250	(304,774)	1,115,476
2014 Warrants	8/5/2014	8/5/2019	$ 2.51		1,000,000	(610,771)	389,229
Series A Warrants	2/3/2015	2/3/2020	$ 0.30		2,216,667	(1,988,335)	228,332
Series B Warrants	2/3/2015	8/3/2015	$ 0.01	(1)	2,216,667	(1,935,601)	-
Series C Warrants	5/19/2015	5/19/2020	$ 1.84		430,000	-	430,000
Series D Warrants	12/11/2015	12/11/2020	$ 0.10		10,050,000	(10,006,400)	43,600
Series E Warrants	12/11/2015	12/11/2016	$ 0.01	(1)	8,000,000	(8,000,000)	-
Series F Warrants	4/1/2016	4/1/2021	$ 0.30		10,292,858	-	10,292,858
Series G Warrants	4/1/2016	4/1/2017	$ 0.01	(1)	6,571,429	(6,571,429)	-
Series H Warrants	4/1/2016	10/1/2016	$ 0.75		20,585,716	(18,008,716)	2,577,000
					62,783,587	(47,426,026)	15,076,495

(1) The exercise price is $1.00 but $0.99 of the exercise price was pre-funded upon issuance of the Series B, Series E, and Series G Warrants. Each of these series of warrants were fully exercised as of June 30, 2016.

The agreements governing the above warrants include the following terms:

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

recapitalizations, reclassifications, reorganizations, stock dividends and stock splits, a sale of all or substantially all of the Company's assets and certain other events; and

- in the event of an "extraordinary transaction" or a "fundamental transaction" (as such terms are defined in the respective warrant agreements), generally including any merger with or into another entity, sale of all or substantially all of the Company's assets, tender offer or exchange offer, or reclassification of its common stock, in which the successor entity (as defined in the respective warrant agreements) that assumes the warrant is not a publicly traded company, the Company or any successor entity will pay the warrant holder, at such holder's option, exercisable at any time concurrently with or within 30 days after the consummation of the extraordinary transaction or fundamental transaction, an amount of cash equal to the value of such holder's warrants as determined in accordance with the Black Scholes option pricing model and the terms of the respective warrant agreement. In some circumstances, the Company or successor entity may be obligated to make such payments regardless of whether the successor entity that assumes the warrants is a publicly traded company.

Based on these terms, the Company has determined that the 2013 Warrants, the 2014 Warrants, the Series A Warrants, the Series C Warrants, the Series D Warrants, the Series F Warrants, and the Series H 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 $6.2 million and $10.5 million as of June 30, 2016 and December 31, 2015, respectively. The decrease in the estimated fair value of the Warrants is the result of exercises of warrants during the period offset by the issuance of new warrants during the priod.

During the six months ended June 30, 2016, the Company issued 42,782,210 shares of Common Stock as a result of the exercise of Series A, D, E, G and H Warrants. The Company received proceeds of $10.9 million from such exercises.

In May of 2016, as permitted by Section 2(a) of the Series H Warrant agreement, the board of directors of the Company approved a voluntary reduction of the exercise price for 7.5 million of the outstanding Series H Warrants, from an exercise price of $0.75 per share of common stock to $0.30 per share of common stock, for the remaining term of these warrants. Except for the reduction in exercise price, the terms of these Series H Warrants remain unchanged.

In June of 2016, as permitted by Section 2(a) of the Series H Warrant agreement, the board of directors of the Company approved a voluntary reduction of the exercise price for 3 million of the outstanding Series H Warrants, from an exercise price of $0.75 per share of common stock to $0.42 per share of common stock, for the remaining term of these warrants. The board of directors of the Company also approved a voluntary reduction of the exercise price for 2.0 million of the outstanding Series H Warrants, from an exercise price of $0.75 per share of common stock to $0.52 per share of common stock, for the remaining term of these warrants. Ultimately, the Company adjusted the exercise price to $0.52 per share of common stock for only 1.0 million of the Series H Warrants. Except for the reduction in exercise price, the terms of these Series H Warrants remain unchanged.

In June of 2016, as permitted by Section 9 of the Series D Warrant agreement, the Company agreed with certain holders of the Series D Warrants to the amendment of the exercise price and the acceleration of the initial exercise date for 4,167,391 of the outstanding Series D Warrants held by such holders. Pursuant to that amendment agreement, with respect to 4,167,391 of the outstanding Series D Warrants held by those holders, the exercise price was increased from the an exercise price of $0.10 per share of common stock to $0.175 per share of common stock, for the remaining term of these warrants and the initial exercise date was changed from June 11, 2016 to June 8, 2016. Except for the change in exercise price and the initial exercise date, the terms of these Series D Warrants remained unchanged.

As of June 30, 2016 all of the Series H Warrants or Series D Warrants for which the exercise price had been adjusted were fully exercised.

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, 2016	December 31, 2015
Accounts payable - trade	$1,978	$ 2,691

Accrued legal-related fees	54	854
Accrued employee compensation	651	2,082
Accrued interest	840	840
Accrued taxes payable	70	138
Short-term capital lease	147	144
Other accrued liabilities *	963	727
Total accounts payable and accrued liabilities	$4,703	$ 7,476

* Other accrued liabilities consists of accrued professional fees, audit fees, utility expenses and other expenses 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

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Agreement") with WB Gevo, Ltd. and the other Lenders party thereto from time to time and Whitebox, in its capacity as administrative agent for the Lenders. Pursuant to the terms of the Exchange and Purchase Agreement, the Lenders were given the right, subject to certain conditions, to exchange all or a portion of the outstanding principal amount of the Term Loan for the Company's 2017 Notes (as defined below), which are convertible into shares of the Company's common stock. While outstanding, the Term Loan bore an interest rate equal to 15% per annum, of which 5% was payable in cash and 10% was payable in kind and capitalized and added to the principal amount of the Term Loan.

In June 2014, the Lenders exchanged $25.9 million, the aggregate outstanding principal amount of the Term Loan provided in the First Advance for 10% convertible senior secured notes due 2017 (the "2017 Notes"), together with accrued paid-in-kind interest of $0.2 million. The terms of the 2017 Notes are set forth in an indenture by and among the Company, its subsidiaries in their capacity as guarantors, and Wilmington Savings Fund Society, FSB, as trustee (the "2017 Notes Indenture"). The 2017 Notes will mature on March 15, 2017. The 2017 Notes have a conversion price (the "Conversion Price") equal to $17.38 per share, or 0.0576 shares per $1 principal amount of 2017 Notes. Optional prepayment of the 2017 Notes is not 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, 2016, 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 "Guarantors"). On June 6, 2014, in connection with the issuance of the 2017 Notes, the Company and the Guarantors 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 Guarantors, 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 the Conversion Rate of 0.0576 shares of common stock per $1.00 principal amount of the 2017 Notes (equivalent to the 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 2015 and has not required any holders to convert through the six months ended June 30, 2016.

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

On July 31, 2014, January 28, 2015, May 13, 2015, November 12, 2015, December 7, 2015 and March 28, 2016, the Company entered into amendments to the 2017 Notes Indenture to, among other things, permit the offering and issuance of additional warrants and the incurrence of indebtedness by the Company under such additional warrants. In connection with the November 12, 2015 amendments, the Company did not issue any warrants or incur any indebtedness.

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

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

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

The Company has elected the fair value option for accounting for the 2017 Notes in order for management to mitigate income statement volatility caused by measurement basis differences between the embedded instruments and to eliminate complexities of applying certain accounting models. Accordingly, the principal amount of 2017 Notes outstanding at June 30, 2016 of $26.1 million has been recorded at its estimated fair value of $23.3 million and is included in the 2017 Notes recorded at fair value on the consolidated balance sheets at June 30, 2016. Debt issuance costs of $1.5 million were expensed at issuance and a gain of $2.8 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 was equal to the net proceeds from the loan. During the six months ended June 30, 2016, 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 2017 Notes for which the fair value option was elected.

	June 30, 2016	December 31, 2015
Stock price	$0.59	$ 0.62
Conversion Rate	57.55	57.55
Conversion Price	$17.38	$ 17.38
Maturity date		

	March 15, 2017	March 15, 2017
Risk-free interest rate	0.40 %	0.74 %
Estimated stock volatility	150.0 %	140.0 %
Estimated credit spread	30.0 %	30.0 %

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

	Principal Amount of 2017 Notes	Change in Estimated Fair Value	Total
Balance - December 31, 2015	$ 26,108	$ (4,543)	$ 21,565
Loss from change in fair value of debt	-	1,775	1,775
Balance - June 30, 2016	$ 26,108	$ (2,768)	$ 23,340

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GEVO, INC.
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Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the 2017 Notes. For example, the estimated fair value will generally decrease with: (1) a decline in the stock price; (2) decreases in the estimated stock volatility; and (3) a decrease in the estimated credit spread. The change in the estimated fair value of the 2017 Notes during the six months ended June 30, 2016, represents an unrealized loss which has been recorded as a loss 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, 2016	December 31, 2015
Secured debt		
TriplePoint - May 2014 Advance	$ 333	$ 504
Total secured debt	333	504
Less:		
Unamortized debt discounts	(8)	(19)
Debt issue costs	(1)	(2)
	324	483
Less current portion of secured debt, net	(324)	(330)
Long-term portion of secured debt, net	$ -	$ 153

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

Amended Agri-Energy Loan Agreement. In October 2011, the original loan and security agreement with TriplePoint was amended and restated (the "Amended Agri-Energy Loan Agreement") to provide Agri-Energy with additional term loan facilities of up to $15.0 million to pay a portion of the costs, expenses, and other amounts associated with the retrofit of the Agri-Energy Facility to produce isobutanol. The Amended Agri-Energy Loan Agreement includes affirmative and negative covenants and events of default customary for agreements of this type. In October 2011, Agri-Energy borrowed $10.0 million under the additional term loan facilities which originally matured in October 2015. In January 2012, Agri-Energy borrowed an additional $5.0 million under the additional term loan facilities which originally matured in December 2015, bringing the total amount borrowed under the additional term loan facilities to $15.0 million. The aggregate amount outstanding under the additional term loan facilities bears interest at a rate equal to 11% and is subject to an end-of-term payment equal to 5.75% of the amount borrowed. As security for its obligations under the Amended Agri-Energy Loan Agreement, Agri-Energy granted TriplePoint a security interest in and lien upon all of its assets. Gevo, Inc. also guaranteed Agri-Energy's obligations under the Amended Agri-Energy Loan Agreement. As additional security, concurrently with the execution of the Amended Agri-Energy Loan Agreement, (i) Gevo Development entered into a limited recourse continuing guaranty in favor of

TriplePoint, (ii) Gevo Development entered into an amended and restated limited recourse membership interest pledge agreement in favor of TriplePoint, pursuant to which it pledged the membership interests of Agri-Energy as collateral to secure the obligations under its guaranty and (iii) Gevo, Inc. entered into 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 and Agri-Energy entered into (i) an amendment to the Gevo Security Agreement (the "Security Agreement Amendment") and (ii) an amendment to the Amended Agri-Energy Loan Agreement. These amendments, among other things: (i) permitted the issuance of the 2022 Notes; (ii) removed Agri-Energy's and the Company's options to elect additional interest-only periods upon the achievement of certain milestones; (iii) permitted Agri-Energy to make dividend payments and distributions to the Company for certain defined purposes related to the 2022 Notes; (iv) added as an event of default the payment, repurchase or redemption of the 2022 Notes or of amounts payable in connection therewith other than certain permitted payments related to the 2022 Notes; (v) added a negative covenant whereby the Company may not incur any indebtedness other than as permitted under the Security Agreement Amendment; and (vi) added a prohibition on making any Coupon Make-Whole Payments (as defined in the indenture governing the 2022 Notes) in cash prior to the payment in full of all remaining outstanding obligations under the Amended Agri-Energy Loan Agreement.

December 2013 Amendments. In December 2013, the Company entered into additional amendments to certain of its existing agreements with TriplePoint and entered into a new intellectual property assignment agreement in favor of TriplePoint to, among other things:

- permit the issuance of warrants associated with our December 2013 offering of common stock units;
- waive any prepayment premium (but not any end-of-term payment) with respect to 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;
- waive the requirement for Agri-Energy to make principal amortization payments on the Amended Agri-Energy Loan Agreement through December 31, 2014 (the “Restructure Period”);
- raise the interest rates under the Amended Agri-Energy Loan Agreement to 13% during the Restructure Period (such rate returned to 11% following the Restructure Period as no event of default under the Amended Agri-Energy Loan Agreement was continuing on the last day of the Restructure Period); 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 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 “May 2014 Amendment”) pursuant to which TriplePoint amended its agreements with the Company and its subsidiaries and consented to (i) 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”); (ii) the incurrence of the Term Loan with Whitebox and any other indebtedness under the Senior Loan Documents (collectively, the “Senior Indebtedness”); (iii) the consummation of the exchange of the Term Loan for the 2017 Notes; (iv) 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; (v) the guaranty of the Senior Indebtedness provided by the Guarantors; (vi) 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; (vii) the consummation of any transactions contemplated by, and the terms of, the Senior Loan Documents by the Company and the Guarantors; and (viii) 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 May 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.

On July 31, 2014, January 28, 2015, May 13, 2015, November 11, 2015, December 7, 2015 and March 28, 2016, 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. In connection with the November 11, 2015 amendments, the Company did not issue any warrants or incur any indebtedness.

At June 30, 2016, the Amended Agri-Energy Loan Agreement had a principal balance of $0.3 million, which amortizes on a monthly basis over its remaining term 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, 2016, Agri-Energy has granted TriplePoint a junior security interest in, and a lien upon, all of its assets as security for its obligations under the Amended Agri-Energy Loan Agreement.

Under the terms of the Amended Agri-Energy Loan Agreement, subject to certain limited exceptions, Agri-Energy is only permitted to pay dividends if the following conditions are satisfied: (i) the retrofit of the Agri-Energy Facility is complete and the facility is producing commercial volumes of isobutanol, (ii) its net worth is greater than or equal to $10.0 million, and (iii) no event of default has occurred and is continuing under the agreement. At June 30, 2016 the Company was in compliance with the debt covenants under the Amended Agri-Energy Loan Agreement. The Company has also guaranteed Agri-Energy's obligations under the Amended Agri-Energy Loan Agreement.

2022 Notes

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

	Principal Amount of 2022 Notes	Debt Discount	Debt Issue Costs	Total
Balance - December 31, 2015	$ 22,400	$ (7,764)	$ (295)	$ 14,341
Amortization of debt discount	-	2,119	-	2,119
Amortization of debt issue costs	-	-	85	85
Balance - June 30, 2016	$ 22,400	$ (5,645)	$ (210)	$ 16,545

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, 2016 and 2015, respectively, the Company recorded $2.2 million and $1.7 million of expense related to the amortization of debt discounts and issue costs; $0.0 million and $1.0 million of expense related to the conversion of debt; and $0.8 million and $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 a 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 $85.35 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.

In November 2015, the Company issued 1,107,833 shares of common stock to redeem 2,500 bonds at a face value of $1,000 per bond and reduce the liability of the 2022 Notes by $2.5 million. The net loss on the extinguishment of the 2022 Notes was $0.05 million. In February 2015, the Company issued 170,042 shares of common stock to convert 2,000 bonds at a face value of $1,000 per bond to reduce the liability of the 2022 Notes by $2.0 million. The net gain on the extinguishment of the 2022 Notes was $0.3 million.

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. A Fundamental Change includes, among other things, the Company’s common stock ceasing to be listed on a national securities exchange.

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 for the 2022 Notes 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, 2016.

8. Significant Agreements

Off-Take, Distribution and Marketing Agreements

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 June 30, 2016 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 in April 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.

Supply Agreement with Musket Corporation. On June 16, 2016, the Company entered into an agreement with Musket Corporation to supply isobutanol for blending with gasoline. Musket is a national fuel distributor under the umbrella of the Love’s Family of Companies. Initial target markets are expected to include the marine and off-road markets in Arizona, Nevada, and Utah. The supply program is expected to begin with railcar quantities of isobutanol (a railcar holds approximately 28-29 thousand gallons). As isobutanol production ramps at Gevo’s production facility in Luverne, Minn., and isobutanol-blended gasoline becomes more established at retail outlets, Musket expects to expand its purchase quantities. Musket is initially targeting retail pumps at Lake Havasu in Arizona, followed by other large marine markets such as Lake Powell, Lake Mead, as well as other large lakes in the western states. Later, Musket also anticipates expanding distribution into its core Oklahoma market.

BCD Chemie. In April 2015, the Company entered into a first purchase order to supply isooctene to BCD Chemie, a subsidiary of Brenntag AG, a leading chemical distributor based in Germany. BCD Chemie is targeting applications in Europe to replace petroleum-based hydrocarbons to enable companies to meet regulatory requirements for renewable content in fuels while satisfying the performance requirements of their customers. We subsequently entered into additional purchase orders to supply isooctene to BCD Chemie in 2016. To date, the total value of the purchase orders with BCD Chemie is over $1 million.

Alaska Airlines. 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 ATJ fuel when the Company secures a revision to ASTM D7566, which occurred in April 2016. All of the ATJ fuel to be supplied under this agreement is expected to be produced from renewable isobutanol at the Agri-Energy Facility and then re-processed at a hydrocarbon processing demonstration plant near Houston, Texas, in partnership with South Hampton Resources, Inc. On June 7, 2016, the first two Alaska Airlines commercial flights using Gevo's renewable alcohol to jet fuel (ATJ) took place originating in Seattle and flying to San Francisco International Airport and Ronald Reagan Washington National Airport.

Jet Fuel Supply Agreements with the Defense Logistics Agency (U.S. Air Force, U.S. Army and U.S. Navy). In 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 2012. The Company recorded $0.6 million of revenue under this award during the year ended December 31, 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 ATJ 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 ATJ 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 ATJ fuel. During the years ended December 31, 2015, 2014 and 2013, the Company recorded \$1.0 million, \$2.0 million and \$1.9 million, respectively, of revenue associated with shipments of ATJ fuel under these contracts. The Company did not record any revenue associated with shipments of ATJ fuel under these agreements in the six months ended June 30, 2016.

Catalysts Agreement with Clariant Corporation. On May 19, 2016, the Company announced that it has entered into an agreement with Clariant Corp., one of the world's leading specialty chemical companies, to develop catalysts to enable Gevo's ETO technology. As previously disclosed, Gevo's ETO technology, which uses ethanol as a feedstock, produces tailored mixes of propylene, isobutylene and hydrogen, which are valuable as standalone molecules, or as feedstocks to produce other products such as diesel fuel and commodity plastics, that would be drop-in replacements for their fossil-based equivalents.

Joint Research, Development, License and Commercialization Agreement with The Coca-Cola Company. During November 2011, the Company entered into a joint research, development, license and commercialization agreement with The Coca-Cola Company ("Coca-Cola"). In the agreement, Coca-Cola agreed to pay the Company a fixed price fee for a research program outlined in the agreement. This agreement covered three years and represented \$2.6 of revenue.

License Agreements

Licensing Agreement with Porta. In January 2016, the Company entered into a license agreement and joint development agreement with Porta Hnos. S.A. ("Porta") to build or retrofit multiple isobutanol plants in Argentina using corn as a feedstock, the first of which is expected to be wholly owned by Porta and is anticipated to begin producing isobutanol in 2017. The plant is expected to have a production capacity of up to five million gallons of isobutanol per year. Once the plant is operational, Gevo expects to generate revenues from this licensing arrangement, through royalties, sales and marketing fees, and other revenue streams such as yeast sales. The agreements also contemplate Porta building or retrofitting at least three additional isobutanol plants for certain of their existing ethanol plant customers. For these projects, Gevo would be the direct licensor of its technology and the marketer for any isobutanol produced, and would expect to receive all royalties and sales and marketing fees generated from these projects. Porta would provide the engineering, procurement and construction ("EPC") services for the projects. The production capacity of these additional plants is still to be determined.

Joint Development Agreement with Praj Industries Limited. In November 2015, the Company entered into a joint development agreement ("JDA") with Praj Industries Limited ("Praj"), which establishes a strategic relationship to: (i) jointly develop our technology for use in certain ethanol plants that utilize certain non-corn based feedstocks (the "Feedstock"); (ii) jointly develop an engineering package for greenfield isobutanol plants and retrofitting ethanol plants to produce renewable isobutanol from the Feedstock; and (iii) license our technology to build greenfield isobutanol plants and retrofit certain ethanol plants to produce isobutanol. The Company and Praj will jointly develop and optimize the parameters to produce isobutanol from the Feedstock. After the development work is completed, the Company will negotiate commercial license agreements with Praj and third party licensees. Praj has the exclusive right to supply equipment and process engineering services for (i) certain greenfield isobutanol plants covered by the JDA and (ii) the addition of isobutanol capacity for certain ethanol plants that utilize the Feedstock and Praj technology. Praj agreed to meet certain milestones to maintain its exclusive rights. The Company will negotiate and license our technology for producing isobutanol directly with the ethanol plants covered by the JDA and will also have the right to supply biocatalysts, nutrient packages, and support services to such plants. Praj will be the EPC services supplier for the ethanol plants covered by the JDA and we will be the exclusive seller of all isobutanol produced by such plants.

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

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

Each party may produce and sell up to 30 million gallons of isobutanol per year in any field on a royalty-free basis. Butamax will be the primary customer-facing seller of isobutanol in the field of fuel blending (subject to certain exceptions, the “Direct Fuel

Blending" field) and the Company will be the primary customer-facing seller of isobutanol in the field of jet fuel for use in aviation gas turbines (the "Jet" field, also subject to certain exceptions). As such, subject to each party's right to sell up to 30 million gallons of isobutanol per year in any field on a royalty-free basis, the Company will only sell isobutanol through Butamax in the Direct Fuel Blending field subject to a royalty based on the net sales price for each gallon of isobutanol sold or transferred by the Company, its affiliates or sublicensees within the Direct Fuel Blending field (whether through Butamax or not) and on commercially reasonable terms to be negotiated between the parties, and Butamax will only sell isobutanol through the Company in the Jet field subject to a royalty based on the net sales price for each gallon of isobutanol sold or transferred by Butamax, its affiliates or sublicensees within the Jet field (whether through the Company or not) and on commercially reasonable terms to be negotiated between the parties; provided, that each party may sell up to fifteen million gallons of isobutanol in a given year directly to customers in the other party's customer-facing field on a royalty-free basis so long as the isobutanol volumes are within the permitted 30 million gallons of isobutanol sold or otherwise transferred per year in any field described above and, in certain instances, each party may then sell up to the total permitted 30 million gallons per year in the other party's customer-facing field on a royalty-free basis. In addition, in order to maintain its status as the primary customer-facing seller in these specific fields, each party must meet certain milestones within the first five years of the License Agreement. If such milestones are not met as determined by an arbitration panel, then the other party will have the right to sell directly to customers in the other party's customer-facing field subject to the payment of certain royalties to the other party on such sales.

In addition to the royalties discussed above for sales of isobutanol in the Direct Fuel Blending field, and subject to the Company's right to sell up to 30 million gallons of isobutanol per year in any field on a royalty-free basis, the Company will pay to Butamax a royalty per gallon of isobutanol sold or transferred by the Company, its affiliates or sublicensees within the field of isobutylene (a derivative of isobutanol) applications (other than isobutylene for paraxylene, isooctane, Jet, diesel and oligomerized isobutylene applications). Likewise, in addition to the royalties discussed above for sales of isobutanol in the Jet field, and subject to Butamax's right to sell up to 30 million gallons of isobutanol per year in any field on a royalty-free basis, Butamax will pay to the Company a royalty per gallon of isobutanol sold or transferred by Butamax, its affiliates or sublicensees within the fields of marine gasoline, retail packaged fuels and paraxylene (except for gasoline blending that results in use in marine or other fuel applications). The royalties described above will be due only once for any volume of isobutanol sold or transferred under the License Agreement, and such royalties accrue when such volume of isobutanol is distributed for end use in the particular royalty-bearing field. All sales of isobutanol in other fields will be royalty-free, subject to the potential technology fee described below.

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

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

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

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

Other Significant Agreements

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 in the second quarter of 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. Land O'Lakes Purina Fees also provides marketing services for the sale of the Company's ethanol distiller grains.

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 at the Agri-Energy Facility. 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 at the Agri-Energy Facility. 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 agreed to lease Storage Bins sufficient to store 700,000 bushels of corn grain and pay to Agri-Energy $175,000 per year. The term of the Lease Agreement will run concurrently with the Origination Agreement, and will be extended, terminated, or expire in accordance with the Origination Agreement. The Company also entered into an unsecured guaranty (the "Guaranty") in favor of FCStone whereby the Company guaranteed the obligations of Agri-Energy to FCStone under the Origination Agreement. The Guaranty shall terminate on the earlier to occur of (i) April 15, 2020 or (ii) termination of the Origination Agreement.

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

The Company has been awarded grants or cooperative agreements from a number of government agencies, including the U.S. Department of Energy, U.S. National Science Foundation, U.S. Environmental Protection Agency, U.S. Army Research Labs and the U.S. Department of Agriculture. Any recorded revenues 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 currently owns 100% of the outstanding equity interests of Gevo Development.

Gevo made capital contributions to Gevo Development of $8.3 million and $7.9 million, respectively, during the six months ended June 30, 2016 and the year ended December 31, 2015.

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) which has been fully allocated to Gevo capital contribution account based upon 100% ownership.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Gevo Development Net Loss	$(2,946)	$(2,264)	$(6,522)	$(6,598)

In connection with the formation of Gevo Development in September 2009, the Company granted CDP Gevo, LLC 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 warrant agreement.

The accounts of Agri-Energy are consolidated within Gevo Development as a wholly owned subsidiary which is then consolidated into Gevo. As of June 30, 2016, Gevo Development does not have any assets that can be used only to settle obligations of Gevo Development. In addition, under the terms of the Amended Agri-Energy Loan Agreement with TriplePoint, as amended, subject to certain limited exceptions, Agri-Energy is only permitted to pay dividends if all principal balances due to TriplePoint have been paid.

10. Stock-Based Compensation

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

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,	
	2016	2015	2016	2015
Stock options and employee stock purchase plan awards				

Research and development	$16	$29	$41	$74
Selling, general and administrative	97	76	200	175
Restricted stock awards				
Research and development	31	80	81	181
Selling, general and administrative	28	111	96	268
Restricted stock units				
Research and development	1	-	14	-
Selling, general and administrative	11	-	110	-
Total stock-based compensation	$184	$296	$542	$698

11. Commitments and Contingencies

Legal Matters. From time to time, we have been and may again become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any litigation that we believe to be material and we are not aware of any pending or threatened litigation against us that we believe could have a material adverse effect on our business, operating results, financial condition or cash flows.

Leases. During the year ended December 31, 2012, the Company entered into a six year software license agreement. The Company concluded that the software license agreement qualified as a capital lease. Accordingly, at June 30, 2016 and December 31, 2015, the Company had capital lease liabilities of $0.1 million and $0.2 million, respectively, included in accounts payable and accrued liabilities and other long-term liabilities on its consolidated balance sheet.

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

The Company has an operating lease for its office, research, and production facility in Englewood, Colorado with a term expiring in July 2021. The Company also maintains a corporate apartment in Colorado, which has a lease term expiring during the next 12 months. The Company has an operating lease for the rail cars used by Agri-Energy in Luverne, Minnesota.

Rent expense for the six months ended June 30, 2016 and years ended December 31, 2015 and 2014 was $0.2 million, $0.5 million and $0.5 million, respectively. The Company recognizes rent expense on its operating leases on a straight-line basis.

The table below shows the future minimum payments under non-cancelable operating leases and capital leases at June 30, 2016 (in thousands):

	Operating Leases	Capital Lease	Total Lease Obligations
2016	$ 711	$ -	$ 711
2017	1,425	167	1,592
2018	1,433	-	1,433
2019	918	-	918
2020	389	-	389
2021 and Thereafter	197	-	197
Total	$ 5,073	$ 167	$ 5,240

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, 2016 and December 31, 2015, 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, 2016 or as of December 31, 2015.

12. Fair Value Measurements

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

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

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

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

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. The Company incurred no write-down of inventory during the six months ended June 30, 2016.

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

2017 Notes. The Company has estimated the fair value of the 2017 Notes to be $23.3 million and $21.6 million at June 30, 2016 and December 31, 2015, 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.

2022 Notes Embedded Derivative. The Company has estimated the fair value of the 2022 Notes, including the embedded derivative, to be $16.8 million and $14.6 million at June 30, 2016 and December 31, 2015, 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 zero at June 30, 2016 and December 31, 2015, 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, 2015 to be $0.2 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, 2016 to be $0.2 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 December 31, 2015 and June 30, 2016 to be $0.1 million and $0.1 million, respectively 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, 2016 due to the lack of market trades of the 2014 Warrants during the six months ended June 30, 2016.

In February of 2015, the Company issued Series A Warrants to purchase 2,216,667 shares of the Company's common stock. Based on the terms of the Series A Warrants, the Company determined that the 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 Series A Warrants at the issuance date of February 3, 2015 to be $1.4 million. As of December 31, 2015 and June 30, 2016, the estimated fair value of the Series A Warrants was $0.9 million and $0.1 million respectively based upon Level 3 inputs utilizing a Monte-Carlo simulation model.

In February of 2015, the Company issued Series B Warrants to purchase 2,216,667 shares of the Company's common stock. Based on the terms of the Series B Warrants, the Company determined that the 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 Series B Warrants at the issuance date of February 3, 2015 to be $2.5 million based upon Level 3 inputs. As of both December 31, 2015 and June 30, 2016 the estimated fair value was $0.0 as the Series B Warrants expired on August 3, 2015.

In May of 2015, the Company issued Series C Warrants to purchase 430,000 shares of the Company's common stock. Based on the terms of the Series C Warrants, the Company determined that the 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 Series C Warrants at the issuance date of May 19, 2015 to be $1.2 million. As of December 31, 2015 and June 30, 2016, the estimated fair value was $0.1 million and $0.1 million, respectively based upon Level 3 inputs utilizing an analysis of actual historical market trades of the Series C Warrants and the Black Scholes model. The Company relied on Level 3 inputs for estimating the fair value of the Series C Warrants as of May 19, 2015, December 31, 2015 and June 30, 2016 due to the lack of market trades of the Series C Warrants.

In December 2015, the Company issued 10,050,000 Series D Warrants and 8,000,000 Series E Warrants. Based on the terms of the Series D Warrants and Series E Warrants, the Company determined that the each of the Series D Warrants and Series E 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 Series D Warrants to be $5.7 million as of the issuance date, $5.2 million as of December 31, 2015 and $0.02 million as of June 30, 2016 utilizing a Black Scholes model. The Company relied on Level 1 inputs of the market price for estimating the fair value of the Series E Warrants, and determined the fair value to be $5.3 million as of the issuance date, $4.0 million as of December 31, 2015, and were fully exercised as of June 30, 2016.

In April 2016, the Company issued 10,292,858 Series F Warrants, 6,571,429 Series G Warrants, and 20,585,716 Series H Warrants. Based on the terms of the Series F Warrants, Series G Warrants and the Series H Warrants, the Company determined that each of the Series F Warrants, Series G Warrants and Series H 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 relied on Level 3 inputs for estimating the fair value of the Series F warrants and utilized a Monte Carlo simulation and determined the estimated fair value to be $2.2 million as of the April 1, 2016 issuance date. The Company relied on Level 3 inputs for estimating the fair value of the Series H warrants and utilized a Black Scholes model and determined the estimated fair value to be $0.3 million as of the April 1, 2016 issuance date. The Company relied on Level 1 inputs for estimating the fair value of the Series G warrants and determined the estimated fair value to be $1.6 million as of the April 1, 2016 issuance date.

The Series F and H warrants were determined to have an estimated fair value of $5.4 million and $0.4 million, respectively, as of June 30, 2016. The Series G warrants were fully exercised and no longer outstanding as of June 30, 2016.

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

13. Information on Business Segments

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

GEVO, INC.
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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,	
	2016	2015	2016	2015
Revenues:				
Gevo	$915	$969	$1,420	$1,770
Gevo Development / Agri-Energy	7,198	7,955	13,013	13,053
Consolidated	$8,113	$8,924	$14,433	$14,823
Loss from operations:				
Gevo	$(2,556)	$(4,440)	$(4,864)	$(9,664)
Gevo Development / Agri-Energy	(2,936)	(2,091)	(6,494)	(6,403)
Consolidated	$(5,492)	$(6,531)	$(11,358)	$(16,067)
Interest expense:				
Gevo	$2,232	$2,003	$4,365	$4,010
Gevo Development / Agri-Energy	14	26	31	54
Consolidated	$2,246	$2,029	$4,396	$4,064
Depreciation expense:				
Gevo	$164	$202	$332	$413
Gevo Development / Agri-Energy	1,497	1,417	2,950	2,868
Consolidated	$1,661	$1,619	$3,282	$3,281
Acquisitions of plant, property and equipment:				
Gevo	$88	$-	$92	$2
Gevo Development / Agri-Energy	307	49	4,755	173
Consolidated	$395	$49	$4,847	$175

	June 30, 2016	December 31, 2015
Total assets:		
Gevo	$107,297	$ 100,394
Gevo Development / Agri-Energy	160,733	157,661
Intercompany eliminations	(158,783)	(155,224)
Consolidated	$109,247	$ 102,831

14. Subsequent Events

On July 26, 2016, The NASDAQ Stock Market ("NASDAQ") granted the Company an additional 180 calendar days, or until January 23, 2017, to regain compliance with the $1.00 per share minimum required for continued listing on The NASDAQ Capital Market pursuant to NASDAQ Marketplace Rule 5550(a)(2) (the "Minimum Bid Price Rule"). As previously reported, on January 25, 2016, the Company received a notification letter (the "Notice") from NASDAQ advising the Company that for 30 consecutive trading days preceding the date of the Notice, the bid price of the Company's common stock had closed below the $1.00 per share minimum required for continued listing on The NASDAQ Capital Market pursuant to the Minimum Bid Price Rule. The Company was unable to regain compliance with the Minimum Bid Price Rule by July 25, 2016. The Company was provided 180 calendar days, or until July 25, 2016, to regain compliance with the Minimum Bid Price Rule. The NASDAQ determination to grant the second compliance period was based on the Company meeting the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on The NASDAQ Capital Market, with the exception of the Minimium Bid Price Rule, and the Company's written notice of its intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

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

Forward-Looking Statements

This report contains forward-looking statements. When used anywhere in this Quarterly Report on Form 10-Q (this "Report"), the words "expect," "believe," "anticipate," "estimate," "intend," "plan" and similar expressions are intended to ide forward-looking statements. These statements relate to future events or our future financial or operational performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Such risks and uncertainties include those related to our ability to increase production of isobutanol at our facility in Luverne, Minnesota, our ability to meet production guidance, our ability to implement a recapitalization transaction and continue as a going concern, the continued listing of our common stock on The NASDAQ Capital Market, our ability to raise additional funds to continue operations, our ability to produce isobutanol at a profit, achievement of advances in our technology platform, the success of our retrofit production model, our ability to gain market acceptance for our products, additional competition and changes in economic conditions and those risks described in documents we have filed with the U.S. Securities and Exchange Commission (the "SEC"), including this Report in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors," our Annual Report on Form 10-K for the year ended December 31, 2015 (our "Annual Report"), and other reports that we have filed with the SEC. All forward-looking statements in this Report are qualified entirely by the cautionary statements included in this Report and such other filings. These risks and uncertainties could cause actual results to differ materially from results expressed or implied by forward-looking statements contained in this Report. These forward-looking statements speak only as of the date of this Report. We disclaim any undertaking to publicly update or revise any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Unless the context requires otherwise, in this Report the terms "we," "us," "our" and the "Company" refer to Gevo, Inc. and its wholly owned or indirect subsidiaries, and their predecessors.

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

Company Overview

We are a renewable chemicals and next generation biofuels company. We have developed proprietary technology that uses a combination of synthetic biology, metabolic engineering, chemistry and chemical engineering to focus primarily on the production of isobutanol, as well as related products from renewable feedstock. Isobutanol is a four-carbon alcohol that can be sold directly for use as a specialty chemical in the production of solvents, paints and coatings or as a value-added gasoline blendstock. Isobutanol can also be converted into butenes using dehydration chemistry deployed in the refining and petrochemicals industries today. The convertibility of isobutanol into butenes is important because butenes are primary hydrocarbon building blocks used in the production of hydrocarbon fuels, lubricants, polyester, rubber, plastics, fibers and other polymers. We believe that the products derived from isobutanol have potential applications in substantially all of the global hydrocarbon fuels markets and in approximately 40% of the global petrochemicals markets.

In order to produce and sell isobutanol made from renewable sources, we have developed the Gevo Integrated Fermentation Technology® (“GIFT™”), an integrated technology platform for the efficient production and separation of renewable isobutanol. GIFT™ consists of two components, proprietary biocatalysts that convert sugars derived from multiple renewable feedstocks into isobutanol through fermentation, and a proprietary separation unit that is designed to continuously separate isobutanol during the fermentation process. We developed our technology platform to be compatible with the existing approximately 25 billion gallons per year of global operating ethanol production capacity, as estimated by the Renewable Fuels Association.

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

2016 Highlights and Developments

- On July 26, 2016, The NASDAQ Stock Market ("NASDAQ") granted the Company an additional 180 calendar days, or until January 23, 2017, to regain compliance with the $1.00 per share minimum required for continued listing on The NASDAQ Capital Market pursuant to NASDAQ Marketplace Rule 5550(a)(2) (the "Minimum Bid Price Rule"). As previously reported, on January 25, 2016, the Company received a notification letter (the "Notice") from NASDAQ advising the Company that for 30 consecutive trading days preceding the date of the Notice, the bid price of the Company's common stock had closed below the $1.00 per share minimum required for continued listing on The NASDAQ Capital Market pursuant to the Minimum Bid Price Rule. The Company was unable to regain compliance with the Minimum Bid Price Rule by July 25, 2016. The Company was provided 180 calendar days, or until July 25, 2016, to regain compliance with the Minimum Bid Price Rule. The NASDAQ determination to grant the second compliance period was based on the Company meeting the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on The NASDAQ Capital Market, with the exception of the Minimum Bid Price Rule, and the Company's written notice of its intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.
- On June 16, 2016, we announced that we entered into an agreement with Musket Corporation to supply isobutanol for blending with gasoline. Musket Corporation is a national fuel distributor under the umbrella of the Love's Family of Companies. Initial target markets are expected to include the marine and off-road markets in Arizona, Nevada, and Utah. The supply program is expected to begin with railcar quantities of isobutanol (a railcar holds approximately 28-29 thousand gallons). As isobutanol production ramps at our production facility in Luverne, Minn., and isobutanol-blended gasoline becomes more established at retail outlets, Musket Corporation informed us that it expects to expand its purchase quantities. Musket is initially targeting retail pumps at Lake Havasu in Arizona, followed by other large marine markets such as Lake Powell, Lake Mead, as well as other large lakes in the western states. Later, Musket Corporation also anticipates expanding distribution into its core Oklahoma market.
- On June 15, 2016, we closed a best efforts public offering of 21,080,456 shares of common stock at $0.45 per share. We received gross proceeds from this offering of approximately $13.0 million.
- On June 7, 2016, the first two commercial flights using our renewable alcohol to jet fuel (ATJ) took place, originating in Seattle and flying to San Francisco International Airport and Ronald Reagan Washington National Airport, respectively. The flights were successful. The event marked a successful step toward new fuels that help airlines to reduce their greenhouse gas emissions (GHGs). Our alcohol to jet synthetic paraffinic kerosene (ATJ-SPK) process turns its bio-based isobutanol into jet fuel that meets the requirements of the recently revised ASTM D7566 (Standard Specification for Aviation Turbine Fuel Containing Synthesized Hydrocarbons) for up to a 30 percent fuel blend. The two Alaska Airlines flights utilized a 20 percent fuel blend.
- On May 31, 2016, we announced that we and our Board of Directors have commenced a review of strategic alternatives. The Board of Directors and its advisors have established a process for outreach to, and engagement with, interested strategic and financial parties and have engaged with our creditors.
- On May 19, 2016, we announced that we entered into an agreement with Clariant Corp., one of the world's leading specialty chemical companies, to develop catalysts to enable our ETO technology. As previously disclosed, our ETO technology, which uses ethanol as a feedstock, produces tailored mixes of propylene, isobutylene and hydrogen, which are valuable as standalone molecules, or as feedstocks to produce other products such as diesel fuel and commodity plastics, that would be drop-in replacements for their fossil-based equivalents.
- On April 12, 2016, we received notice that ASTM International has now completed its process of approving the revision of ASTM D7566 (Standard Specification for Aviation Turbine Fuel Containing Synthesized Hydrocarbons) to include alcohol to jet synthetic paraffinic kerosene (ATJ-SPK) derived from renewable isobutanol. As a result, ASTM International has published the revision of ASTM D7566 on its website and Gevo's renewable alcohol to jet fuel ("ATJ") is now eligible to be used as a blending component in standard Jet A-1 for commercial airline use in the United States and in many other countries around the globe. Gevo's ATJ is eligible to be used for up to a 30% blend

in conventional jet fuel for commercial flights.

- On April 1, 2016, we completed the sale of 3,721,429 Series C units, which each consist of one share of our common stock, a Series F warrant to purchase one share or our common stock (each, a “Series F Warrant”) and two Series H warrants, each to purchase one share of our common stock (each, a “Series H Warrant”), and 6,571,429 Series D units, which each consisted of one pre-funded Series G warrant to purchase one share of our common stock (each a Series G Warrant”), one Series F Warrant and two Series H Warrants, pursuant to an underwritten public offering. We received gross proceeds of approximately $3.5 million, not including any future proceeds from the exercise of the warrants.

Outlook for 2016

As previously disclosed, we restarted production of isobutanol at our production facility in Luverne, Minnesota in March 2016. All operations, including the distillation system, are now up and running. During 2016, we have produced approximately 168,000 gallons of isobutanol and one fermentation batch exceeded 20,000 gallons of isobutanol, slightly exceeding the high end of the range of our previously announced goal of 18,000-20,000 gallons per batch.

It has, however, taken us longer than expected to complete installation of some additional distillation system equipment that was needed after initial operation of the distillation system began in March 2016. As a result, the production rate ramp-up was delayed and therefore the total annual 2016 production volume is projected to be lower than previously projected.

For the reasons discussed above, we are changing our previously issued guidance in terms of production gallons in 2016 to the following:

- We now expect isobutanol production at our production facility in Luverne to be in a range of 500,000 to 650,000 gallons in 2016.

At this time, based upon the results at Luverne, we re-affirm that we are on track to meet the other components of our previously issued 2016 guidance as follows. We expect to:

- Decrease the variable cost of producing isobutanol at our Luverne production facility to a range of $3.00-$3.50/gallon (assumes corn price of $3.65 per bushel and nets the value of the isobutanol distiller's grains (the "iDGs™")), enabling isobutanol to be produced at a positive contribution margin, based on an expected average selling price for isobutanol of between $3.50-$4.50/gallon.
- Increase sales of isobutanol into core markets such as the renewable ATJ fuel, marina, off-road, isooctane and solvents markets.
- Achieve an average quarterly corporate-wide EBITDA burn rate (excluding stock-based compensation) of $3.5-$4.5 million. Corporate-wide EBITDA burn rate is calculated by adding back depreciation and non-cash stock compensation to GAAP Loss From Operations.

Through the balance of 2016 and into 2017, we will be focused on optimization work to improve the Luverne production facility at its current scale, but more importantly with a view towards significantly expanding the Luverne production facility. We plan to optimize the overall production processes with the intent of improving robustness and consistency of production, increasing production volumes, and potentially producing specific grades of isobutanol tailored for specific applications. This optimization work could result in us needing to add more equipment (tanks, controls, pumps, distillation columns, etc.), systems or processes in the future at the Luverne production facility.

Despite the production ramp-up delays described above, we expect that by the end of 2016 to have the capability to be at a production run rate equivalent to 1.5 million gallons per year at our Luverne production facility. Although we expect to have this production capability, we currently expect to run at a rate less than 1.5 million gallons per year during 2017 as we scale up and test new process improvements to further reduce costs and optimize production in general at the Luverne production facility with a view towards significantly expanding production capacity in the future.

Financial Condition

Our independent auditor included “going-concern” emphasis language in our audited financial statements for the year-ended December 31, 2015. For the six months ended June 30, 2016 and 2015, we incurred a consolidated net loss of $25.1 million and $21.7 million respectively, and had an accumulated deficit of $364.6 million at June 30,

2016. Our cash and cash equivalents at June 30, 2016 totaled $22.6 million which will be used for the following: (i) operating activities of our plant located in Luverne, Minnesota; (ii) operating activities at our corporate headquarters in Colorado, including research and development work; (iii) capital improvements primarily associated with the Agri-Energy Facility; (iv) costs associated with optimizing isobutanol production technology; (v) exploration of restructuring, strategic alternatives and new financings; and (vi) debt service and repayment obligations.

We expect to incur future net losses as we continue to fund the development and commercialization of our product candidates. To date, we have financed our operations primarily with proceeds from multiple sales of equity and debt securities, borrowings under debt facilities and product sales. While existing working capital at June 30, 2016 was sufficient to meet the cash requirements to fund planned operations through December 31, 2016, it is not sufficient to satisfy all of our debt obligations expected to become due and payable in 2017. These conditions raise substantial doubt about our ability to continue as a going concern. Our inability to continue as a going concern may potentially affect our rights and obligations under our debt obligations and may lead to bankruptcy.

Our transition to profitability is dependent upon, among other things, the successful development and commercialization of our products and product candidates, the achievement of a level of revenues adequate to support our existing cost structure and the repayment or restructuring of our debt obligations. We may never achieve profitability or generate positive cash flows, and unless and until we do, we will continue to need to raise additional capital. We intend to fund future operations through additional private and/or public offerings of debt or equity securities. In addition, we may seek additional capital through arrangements with strategic partners or from other sources, may seek to restructure our debt and we will continue to address our cost structure. We intend to continue to explore various financing alternatives to improve our capital structure, including reducing debt and extending maturities. These efforts may include investments from a strategic partner, new equity or debt financings or exchange offers with our existing debt holders (including exchanges of debt for debt or equity securities) and other transactions involving our outstanding debt securities.

Notwithstanding, there can be no assurance that we will be able to raise additional funds, successfully complete a restructuring transaction on acceptable terms or at all, or achieve or sustain profitability or positive cash flows from operations.

Restructuring/Recapitalization Process

As noted above, while our existing working capital at June 30, 2016 was sufficient to meet the cash requirements to fund planned operations through December 31, 2016, it is not sufficient to satisfy all of our debt obligations expected to become due and payable in 2017 unless we are able to raise additional capital or restructure our debt.

As disclosed above, on May 31, 2016, we announced that we commenced a review of strategic alternatives. The Board of Directors and its advisors have established a process for outreach to, and engagement with, interested strategic and financial parties. As part of the process established by our Board of Directors and its financial advisor, we have engaged in discussions with Whitebox Advisors, LLC (“Whitebox”), the administrative agent for the holders of our 10% convertible senior secured notes due 2017, which were issued in June 2014 (the “2017 Notes”), with respect to a recapitalization of our debt and equity. We have also engaged in discussions with certain holders of our 7.5% convertible senior notes due 2022, which were issued in July 2012 (the “2022 Notes”). We believe that a recapitalization transaction whereby our debt is reduced (and/or the maturity date is extended) and a sufficient amount of working capital is provided to fund operations would reduce the current liquidity risks for us.

There can be no assurances that we will implement a recapitalization transaction. If we are unable to implement a recapitalization or restructuring transaction involving Whitebox and the holders of the 2022 Notes, we will have to seek other strategic alternatives, including other sources of financing and, if unsuccessful, may be forced to seek the protection of bankruptcy court by filing for bankruptcy.

Reverse Stock Split

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

Results of Operations

Comparison of the three months ended June 30, 2016 and 2015 (in thousands)

	Three Months Ended June 30,		
	2016	2015	Change
Revenue and cost of goods sold			
Ethanol sales and related products, net	$ 7,168	$ 7,955	$ (787)
Hydrocarbon revenue	713	740	(27)
Grant and other revenue	232	229	3
Total revenues	8,113	8,924	(811)
Cost of goods sold	9,989	9,898	91
Gross loss	(1,876)	(974)	(902)
Operating expenses			
Research and development expense	1,469	1,765	(296)
Selling, general and administrative expense	2,147	3,792	(1,645)
Total operating expenses	3,616	5,557	(1,941)
Loss from operations	(5,492)	(6,531)	1,039
Other (expense) income			
Interest expense	(2,246)	(2,029)	(217)
(Loss)/Gain on extinguishment of warrant liability	(923)	1,775	(2,698)
(Loss)/Gain from change in fair value of the 2017 Notes	(940)	(340)	(600)
(Loss)/Gain from change in fair value of derivative warrant liability	(10,573)	(7,247)	(3,326)
Loss on issuance of equity	(1,519)	-	(1,519)
Other income	206	2	204
Total other expense, net	(15,995)	(7,839)	(8,156)
Net loss	$ (21,487)	$ (14,370)	$ (7,117)

Revenues. Revenues for the second quarter of 2016 were $8.1 million compared with $8.9 million in the same period in 2015. This was primarily a result of lower ethanol production, ethanol prices and distiller grain prices in the 2nd quarter of 2016 versus the same period in 2015.

Cost of Goods Sold. Cost of goods sold was flat during the three months ended June 30, 2016, compared with the same quarter in 2015. Cost of goods sold included approximately $8.5 million associated with the production of ethanol, isobutanol and related products and approximately $1.5 million in depreciation expense.

Research and Development expense. Research and development expense decreased by approximately $0.3 million during the three months ended June 30, 2016, compared with the same quarter in 2015, due primarily to a reduction in employee related expenses.

Selling, general and administrative expense. Selling, general and administrative expense decreased by $1.6 million during the three months ended June 30, 2016, compared with the same quarter in 2015, due primarily to a decrease of $1.3 million in litigation legal expenses.

Interest expense. Interest expense in the second quarter of 2016 was $2.2 million, which was an increase of $0.2 million over the same quarter last year.

(Loss)/Gain from change in fair value of derivative warrant liability. During the three months ended June 30, 2016, the estimated fair value of the derivative warrant liability increased by $3.3 million, resulting in a non-cash loss from change in fair value of derivative warrant liability, primarily associated with the increase in the price of Gevo’s common stock in the quarter.

(Loss)/Gain on extinguishment of warrant liability. During the three months ended June 30, 2016, we incurred a $0.9 million non-cash loss on the extinguishment of warrant liabilities, associated with adjustments to the exercise prices on certain of the Series D and Series H warrants.

(Loss)/Gain from change in fair value of the 2017 Notes. During the three months ended June 30, 2016, we incurred a non-cash loss of $0.9 million during the quarter due to the quarterly mark-to-market valuation of the 2017 Notes.

Loss on issuance of equity. During the three months ended June 30, 2016, we reported a $1.5 million loss associated with the April equity issuance primarily as a result of the estimated fair value of the common stock and warrants issued being greater than the consideration received in exchange.

Comparison of the six months ended June 30, 2016 and 2015 (in thousands)

Six Months Ended June 30,