

Gevo, Inc.
Form 10-Q
August 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017

or

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

Commission File Number 001-35073

GEVO, INC.

(Exact name of registrant as specified in its charter)

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

incorporation or organization) Identification No.)

345 Inverness Drive South, Building C, Suite 310

Englewood, CO 80112

(303) 858-8358

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

area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2017, 16,218,004 shares of the registrant's common stock were outstanding.

GEVO, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

INDEX

| | Page |
|--|------|
| PART I. FINANCIAL INFORMATION | |
| Item 1. <u>Financial Statements</u> | 3 |
| <u>Consolidated Balance Sheets as of June 30, 2017 (unaudited) and December 31, 2016</u> | 3 |
| <u>Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016 (unaudited)</u> | 4 |
| <u>Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 (unaudited)</u> | 5 |
| <u>Notes to Unaudited Consolidated Financial Statements</u> | 7 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 27 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 39 |
| Item 4. <u>Controls and Procedures</u> | 39 |
| PART II. OTHER INFORMATION | |
| Item 1. <u>Legal Proceedings</u> | 40 |
| Item 1A. <u>Risk Factors</u> | 40 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 44 |
| Item 3. <u>Defaults Upon Senior Securities</u> | 44 |
| Item 4. <u>Mine Safety Disclosures</u> | 44 |
| Item 5. <u>Other Information</u> | 44 |
| Item 6. <u>Exhibits</u> | 45 |
| <u>Signatures</u> | 49 |

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GEVO, INC.

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

| | (unaudited) | |
|---|------------------|-------------------------|
| | June 30, 2017 | December 31, 2016 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 16,303 | \$ 27,888 |
| Accounts receivable | 1,363 | 1,122 |
| Inventories | 4,295 | 3,458 |
| Prepaid expenses and other current assets | 964 | 850 |
| Total current assets | 22,925 | 33,318 |
| Property, plant and equipment, net | 73,243 | 75,592 |
| Restricted deposits | - | 2,611 |
| Deposits and other assets | 803 | 803 |
| Total assets | \$ 96,971 | \$ 112,324 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 4,744 | \$ 6,193 |
| 2017 Notes recorded at fair value | - | 25,769 |
| 2020 Notes embedded derivative liability | 8,637 | - |
| Derivative warrant liability | 2,391 | 2,698 |
| Total current liabilities | 15,772 | 34,660 |
| 2020 Notes, net | 12,745 | - |
| 2022 Notes, net | 690 | 8,221 |
| Other long-term liabilities | 154 | 179 |
| Total liabilities | 29,361 | 43,060 |
| Commitments and Contingencies (see Note 11) | | |

Stockholders' Equity

Common Stock, \$0.01 par value per share; 250,000,000 authorized, 16,217,735

and 7,074,246 shares issued and outstanding at June 30, 2017 and

December 31, 2016, respectively.

| | | |
|--|------------|------------|
| | 162 | 71 |
| Additional paid-in capital | 460,259 | 445,913 |
| Accumulated deficit | (392,811) | (376,720) |
| Total stockholders' equity | 67,610 | 69,264 |
| Total liabilities and stockholders' equity | \$ 96,971 | \$ 112,324 |

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, | |
|---|-----------------------------|--------------|---------------------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue and cost of goods sold | | | | |
| Ethanol sales and related products, net | \$ 6,839 | \$ 7,168 | \$ 12,333 | \$ 12,925 |
| Hydrocarbon revenue | 660 | 713 | 749 | 1,011 |
| Grant and other revenue | 43 | 232 | 75 | 497 |
| Total revenues | 7,542 | 8,113 | 13,157 | 14,433 |
| Cost of goods sold | 9,705 | 9,989 | 19,113 | 19,212 |
| Gross loss | (2,163) | (1,876) | (5,956) | (4,779) |
| Operating expenses | | | | |
| Research and development expense | 1,891 | 1,469 | 3,108 | 2,513 |
| Selling, general and administrative expense | 2,123 | 2,147 | 4,297 | 4,066 |
| Total operating expenses | 4,014 | 3,616 | 7,405 | 6,579 |
| Loss from operations | (6,177) | (5,492) | (13,361) | (11,358) |
| Other (expense) income | | | | |
| Interest expense | (630) | (2,246) | (1,341) | (4,396) |
| (Loss) on exchange of debt | (3,969) | - | (4,933) | - |
| (Loss) on extinguishment of warrant liability | - | (923) | - | (923) |
| (Loss) from change in fair value of the 2017 Notes | - | (940) | (339) | (1,775) |
| (Loss)/Gain from change in fair value of derivative warrant liability | 2,260 | (10,573) | 5,519 | (5,325) |
| (Loss) from change in fair value of 2020 notes embedded derivative | (1,662) | - | (1,662) | - |
| (Loss) on issuance of equity | - | (1,519) | - | (1,519) |
| Other income | 20 | 206 | 26 | 206 |
| Total other expense, net | (3,981) | (15,995) | (2,730) | (13,732) |
| Net loss | \$ (10,158) | \$ (21,487) | \$ (16,091) | \$ (25,090) |
| Net loss per share - basic and diluted | \$ (0.66) | \$ (8.75) | \$ (1.19) | \$ (13.92) |
| Weighted-average number of common shares outstanding | | | | |
| - | | | | |
| basic and diluted | 15,372,485 | 2,454,282 | 13,489,004 | 1,802,550 |

See notes to unaudited consolidated financial statements.

GEVO, INC.

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

| | Six Months Ended June 30, | |
|---|------------------------------|------------|
| | 2017 | 2016 |
| Operating Activities | | |
| Net loss | \$(16,091) | \$(25,090) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Loss/(Gain) from change in fair value of derivative warrant liability | (5,519) | 5,325 |
| Loss from change in fair value of 2020 embedded derivative | 1,662 | - |
| Loss from the change in fair value of the 2017 notes | 339 | 1,775 |
| Loss on exchange of debt | 4,933 | - |
| Loss on extinguishment of warrant liability | - | 923 |
| Loss on issuance of equity | - | 1,519 |
| Stock-based compensation | 225 | 542 |
| Depreciation and amortization | 3,341 | 3,282 |
| Non-cash interest expense | 196 | 2,130 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (242) | (283) |
| Inventories | (838) | 602 |
| Prepaid expenses and other current assets | (114) | (153) |
| Accounts payable, accrued expenses, and long-term liabilities | (1,276) | (1,937) |
| Net cash used in operating activities | (13,384) | (11,365) |
| Investing Activities | | |
| Acquisitions of property, plant and equipment | (1,315) | (4,847) |
| Net cash used in investing activities | (1,315) | (4,847) |
| Financing Activities | | |
| Payments on secured debt | (9,616) | (84) |
| Debt and equity offering costs | (931) | (1,997) |
| Proceeds from issuance of common stock and common stock warrants | 11,044 | 13,023 |
| Proceeds from the exercise of warrants | 6 | 10,856 |
| Release of restricted cash held as collateral on 2017 Notes | 2,611 | - |
| Net cash provided by financing activities | 3,114 | 21,798 |
| Net (decrease)/increase in cash and cash equivalents | (11,585) | 5,586 |
| Cash and cash equivalents | | |
| Beginning of period | 27,888 | 17,031 |

| | | |
|---------------|----------|----------|
| End of period | \$16,303 | \$22,617 |
|---------------|----------|----------|

See notes to unaudited consolidated financial statements.

5

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, 2017 | 2016 |
| Cash paid for interest, net of interest capitalized | \$2,116 | \$2,165 |
| Non-cash purchase of property, plant and equipment | \$189 | \$- |
| Exchange of convertible debt into common stock | \$8,653 | \$- |
| Accrued debt issue costs | \$126 | \$- |
| Discount due to exchange of 2017 Notes for 2020 Notes | \$3,009 | \$- |
| Fair value of 2020 Notes embedded derivative upon exchange | \$6,975 | \$- |
| Fair value of warrants at issuance and upon exercise, net | \$5,213 | \$4,799 |

See notes to unaudited consolidated financial statements.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements

1. Nature of Business, Financial Condition, Basis of Presentation and Reverse Stock Split

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 using 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 through joint venture, licensing arrangements, tolling arrangements or direct acquisition (see Note 8 Gevo Development). Gevo Development became a wholly-owned subsidiary of Gevo in September 2010. Gevo Development purchased Agri-Energy, LLC (“Agri-Energy”) in September 2010.

Through May 2012, Agri-Energy, was engaged in the business of producing and selling ethanol and related products produced at its production facility located in Luverne, Minnesota (the “Luverne Facility”). The Company commenced the retrofit of the Luverne 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 Luverne Facility to focus on optimizing specific parts of the process to further enhance isobutanol production rates.

In 2013, the Company modified the Luverne Facility in order to (i) to significantly reduce previously identified infections, (ii) demonstrate that its biocatalyst performs in the one million liter fermenters at the Luverne Facility, and (iii) confirm GIFT ® efficacy at commercial scale at the Luverne Facility.

In 2014, the Company further reconfigured the Luverne Facility to enable the co-production of both isobutanol and ethanol, leveraging the flexibility of its GIFT ® technology, 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, the Company believes that this configuration of the Luverne Facility should allow it to continue to optimize its isobutanol technology at a commercial scale, while taking advantage of potentially superior ethanol contribution margins.

As of June 30, 2017, the Company continues to engage in research and development, business development, business and financial planning, optimizing operations for isobutanol, hydrocarbon and ethanol production and raise capital to fund future expansion of its Luverne Facility for increased isobutanol and hydrocarbon production. Ultimately, the Company believes that the attainment of profitable operations is dependent upon future events, including (i) completing its development activities resulting in commercial production and sales of isobutanol or isobutanol-derived products and/or technology, (ii) obtaining adequate financing to complete its development activities, (iii) obtaining adequate financing to build out further isobutanol and hydrocarbon production capacity, (iv) gaining market acceptance and demand for its products and services, and (v) 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 Luverne 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. As a result, the historical operating results of the Company may not be indicative of future operating results for Agri-Energy or Gevo.

Financial Condition. For the six months ended June 30, 2017 and 2016, the Company incurred a consolidated net loss of \$16.1 million and \$25.1 million, respectively, and had an accumulated deficit of \$392.8 million at June 30, 2017. The Company's cash and cash equivalents at June 30, 2017 totaled \$16.3 million and are expected to be used for the following purposes: (i) operating activities of the Luverne Facility; (ii) operating activities at the Company's corporate headquarters in Colorado, including research and development work; (iii) capital improvements primarily associated with the Luverne Facility; (iv) costs associated with optimizing isobutanol production technology; (v) exploration of 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. The Company's transition to profitability is dependent upon, among other things, the successful development and commercialization of its product candidates and the achievement of a level of revenues adequate to support the Company's cost structure. The Company may never achieve profitability or positive cash flows, and unless and until it does, the Company will continue to need to raise additional cash. Management intends to fund future operations through additional private and/or public offerings of debt or equity securities. In addition, the Company may seek additional capital through arrangements with strategic partners or from other sources, it may seek to restructure its debt and it will continue to address its cost structure. Notwithstanding, there can be no assurance that the Company will be able to raise additional funds, or achieve or sustain

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

profitability or positive cash flows from operations. Existing working capital was not sufficient to meet the cash requirements to fund planned operations through the period that is one year after the date the Company's audited 2016 year-end financial statements were issued. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's inability to continue as a going concern may potentially affect the Company's rights and obligations under its senior secured debt and issued and outstanding convertible notes. 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 United States ("GAAP") 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, 2017 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, 2016 (the "Annual Report").

Reverse Stock Split. On December 21, 2016, the Board of Directors approved an amendment to its Amended and Restated Certificate of Incorporation to effect a one-for-twenty reverse stock split of the Company's common stock, par value \$0.01 per share. The reverse stock split became effective January 5, 2017. 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.

NASDAQ Market Price Compliance. On June 21, 2017, the Company received a letter from the staff (the "Staff") of The NASDAQ Stock Market LLC ("NASDAQ") providing notification that, for the previous 30 consecutive business days, the bid price for the Company's common stock had closed below the \$1.00 per share minimum bid price requirement for continued listing under NASDAQ Listing Rule 5550(a)(2). The notice has no immediate effect on the listing of the Company's common stock, and the Company's common stock will continue to trade on the NASDAQ Capital Market under the symbol "GEVO."

If the Company does not regain compliance with the minimum bid price requirement by December 18, 2017, it may be eligible for an additional 180 calendar day compliance period, provided that it meets the continued listing requirement for market value of publicly held shares and all other initial listing standards for the NASDAQ Capital Market, with the exception of the minimum bid price requirement, and it would need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary. However, if it appears to the Staff that the Company will not be able to cure the deficiency, or if the Company is otherwise not eligible, NASDAQ would notify the Company that its securities would be subject to delisting. In the event of such a notification, the Company may appeal the Staff's determination to delist its securities, but there can be no assurance the Staff would grant the Company's request for continued listing.

Recent Accounting Pronouncements

Revenue from Contracts with Customers (“ASU 2014-09”). In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. 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 permitted. On July 9, 2015, the FASB Board voted to delay the implementation of ASU 2014-09 by one year to December 15, 2017. In April 2016, the FASB issued Accounting Standards Update No. 2016-10 Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing (“ASU 2016-10”) which provides additional clarification regarding Identifying Performance Obligations and Licensing. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. The Company has not yet selected a transition method.

The Company’s current and historical revenues have consisted of the following: (a) ethanol sales and related products revenue, net; (b) Hydrocarbon revenue; and (c) grant and other revenue, which primarily has historically consisted of revenues from governmental and cooperative research grants. The following provides the Company’s initial assessment on how this standard will

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

impact the aforementioned sources of revenue. However, given the complexity of this new standard and the Company is still in the process of further evaluation, the information below is subject to change and a different conclusion may be reached in the second half of 2017.

Ethanol sales and related products revenues. Ethanol sales and related products revenues are sold to customers on a “free-on-board, shipping point” basis. Each transaction occurs independent of any other sale, and once sold, there are no future obligations on the part of the Company to provide post-sale support or promises to deliver future goods or services. Our tentative assessment is that there will be no material impact, if any, to how the Company has historically recognized revenues prior to the upcoming adoption of ASU 2014-09.

Hydrocarbon revenue. Hydrocarbon revenues include sales of alcohol-to-jet fuel (“ATJ”), isooctene and isooctane and is sold mostly on a “free-on-board, shipping point” basis. Each transaction occurs independent of any other sale, and once sold, there are no future obligations on the part of the Company provide post-sale support or promises to deliver future goods or services. Our tentative assessment is that there will be no material impact, if any, to how the Company has historically recognized revenues prior to the upcoming adoption of ASU 2014-09.

Grant and other revenues. Grant and other revenues primarily has historically consisted of governmental and cooperative research grants, of which the Northwest Advanced Renewables Alliance (“NARA”) grant, funded by the United States Department of Agriculture (“USDA”), comprised the majority of those revenues since 2014. After initial review of this arrangement, the Company is preliminarily assessing that this grant does not qualify as a contract pursuant to Topic 606 “Revenues from Contracts with Customers”, which was established with the issuance of ASU 2014-09 due to the lack of any transfer of goods or services to the USDA. This may alter the timing of revenue recognition compared to historical patterns, as revenue is generally deferred until consideration received is non-refundable when it is determined that an arrangement does not qualify as a contract.

Leases (“ASU 2016-02”). In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Topic 842 Leases. ASU-2016-02 requires leases to be reported on the financial statements. The objective is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Future minimum lease obligations for leases accounted for as operating leases at June 30, 2017 totaled \$3.7 million. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-02 on its consolidated financial statements.

Statement of Cash Flows, Classification of Certain Cash Receivable and Cash Payments (“ASU 2016-15”). In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments which clarifies cash flow statement classification of eight specific cash flow issues. The purpose of ASU 2016-15 is to provide clarification and consistency for classifying the eight specific cash flow

issues because current GAAP either is unclear or does not include specific guidance. The amendments in the update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-15 on its consolidated statements of cash flows.

Statement of Cash Flows – Restricted Cash (“ASU 2016-18”). In November 2016, the FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows Restricted Cash which standardizes the classification and presentation of changes in restricted cash on the statement of cash flows. This amendment requires that that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This amendment is effective for public business entities for fiscal years beginning after December 15, 2017, but early adoption is permitted. This standard must be applied retrospectively for all periods presented. Adoption of this standard will materially impact the presentation of the Company’s historical statement of cash flow due to the existence of approximately \$2.6 million in restricted cash deposits relating to the 2017 Notes (see Note 5). However, this standard will not materially impact the Company prospectively as a result of the release of the restricted cash in April 2017 due to an amendment to the 2017 Notes (see Note 7).

Derivatives and Hedging (Topic 815) I. Accounting for Certain Financial Instruments with Down Round Provisions (“ASU 2017-11”). In July 2017, the FASB issued Accounting Standards Update No. 2017-11, Derivatives and Hedging (Topic 815) Accounting for Certain Financial Instruments with Down Round Provisions which simplifies the accounting for certain equity-linked financial instruments and embedded features with down round features that reduce the exercise price when the pricing of a future round of financing is lower. Currently, the existence of such features require classification outside of equity and recognition of changes in the fair value of the instrument in earnings each reporting period. This standard eliminates the need to remeasure the instruments at fair value and allows classification within equity. This standard will not materially impact the Company’s accounting,

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

as current liability classified financial instruments and embedded derivatives that require separation from the host instrument have features other than down-round provisions that require current accounting and classification.

Adoption of New Accounting Pronouncements.

Simplifying the Measurement of Inventory (“ASU 2015-11”). In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory 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 should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company adopted this standard for the year-ending December 31, 2017. Adoption of this standard does not materially impact the measurement of the Company’s inventory.

Derivatives and Hedging (Topic 815) Contingent Put and Call Options in Debt Instruments (“ASU 2016-06”). In March 2016, the FASB issued Accounting Standards Update No. 2016-06, Derivatives and Hedging (Topic 815) Contingent Put and Call Options in Debt Instruments. Topic 815 requires that embedded derivatives be separated from the host contract and accounted for separately as derivatives if certain criteria are met. There are two approaches for determining if the criteria are met. The objective of ASU 2016-06 is intended to resolve the diversity in practice resulting from those two approaches. The Company adopted this standard in the first quarter of 2017. The adoption of this new standard does not materially impact the Company’s consolidated financial statements.

Compensation—Stock Compensation (“ASU 2016-09”). In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Compensation—Stock Compensation. This standard was issued as part of its Simplification Initiative. The objective of the Simplification Initiative is to identify, evaluate, and improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The areas for simplification in ASU 2016-09 involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in ASU 2016-09 are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company adopted ASU 2016-09 effective as of January 1, 2017, and the adoption of this standard does not materially impact the Company’s accounting for stock compensation.

2. Earnings per Share

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

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, 2017 and 2016 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, | |
|---|------------|---------|
| | 2017 | 2016 |
| Warrants to purchase common stock - liability classified (see Note 5) | 13,602,373 | 753,825 |
| Warrant to purchase common stock - equity classified | 1,393 | 4,201 |
| 2017 Notes | - | 75,192 |
| 2020 Notes | 29,702,000 | - |
| 2022 Notes | 404 | 13,117 |
| Outstanding options to purchase common stock | 76,915 | 37,154 |
| Unvested restricted common stock | 5,355 | 12,487 |
| Total | 43,388,440 | 895,976 |

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, 2017 | December 31, 2016 |
|------------------------------------|---------------------|-------------------------|
| Raw materials | | |
| Corn | \$ 189 | \$ 108 |
| Enzymes and other inputs | 386 | 309 |
| Nutrients | 23 | 10 |
| Finished goods | | |
| Ethanol | 280 | 72 |
| Isobutanol | 981 | 755 |
| Jet Fuels, Isooctane and Isooctene | 583 | 519 |
| Distiller's grains | 19 | - |
| Work in process - Agri-Energy | 246 | 274 |
| Work in process - Gevo | 115 | 62 |
| Spare parts | 1,473 | 1,349 |
| Total inventories | \$4,295 | \$ 3,458 |

Work in process inventory includes unfinished jet fuel, isooctane, isooctene and isobutanol inventory. During 2016, the Company chose to classify isobutanol as a component of finished goods due to the increased production of isobutanol at our Luverne Facility and the positive market development and customer demand for isobutanol being sold directly into the market as a gasoline blendstock.

4. Property, Plant and Equipment

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

| Useful | June 30 | December 31, |
|--------|---------|-----------------|
|--------|---------|-----------------|

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

| | Life | 2017 | 2016 |
|---|-------------|-----------|-----------|
| Construction in progress | | \$561 | \$293 |
| Plant machinery and equipment | 10 years | 15,951 | 15,397 |
| Site improvements | 10 years | 7,051 | 7,050 |
| Luverne retrofit asset | 20 years | 70,842 | 70,791 |
| Lab equipment, furniture and fixtures and vehicles | 5 years | 6,513 | 6,431 |
| Demonstration plant | 2 years | 3,597 | 3,597 |
| Buildings | 10 years | 2,543 | 2,543 |
| Computer, office equipment and software | 3 years | 1,621 | 1,594 |
| Leasehold improvements, pilot plant, land and support equipment | 2 - 5 years | 2,534 | 2,526 |
| Total property, plant and equipment | | 111,213 | 110,222 |
| Less accumulated depreciation and amortization | | (37,970) | (34,630) |
| Property, plant and equipment, net | | \$73,243 | \$75,592 |

Included in cost of goods sold is depreciation of \$3.1 million and \$2.9 million during the six months ended June 30, 2017 and 2016, respectively.

Included in operating expenses is depreciation of \$0.2 million and \$0.3 million during the six months ended June 30, 2017 and 2016, respectively.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

5. Embedded Derivatives and Derivative Warrant Liabilities

2020 Notes Embedded Derivative

In June 2017, the Company issued its 12% convertible senior secured notes due 2020 (the “2020 Notes”) in exchange for its 12.0% convertible senior secured notes due 2017 (the “2017 Notes”). The 2020 Notes contain the following embedded derivatives: (i) a Make-Whole Payment (as defined in the indenture governing the 2020 Notes (the “2020 Notes Indenture”)) upon either conversion or redemption; (ii) right to redeem the outstanding principal upon a Fundamental Change (as defined in the 2020 Notes Indenture); (iii) issuer rights to convert into a limited number of shares in any given three-month period commencing six-months from the issuance date and dependent on the stock price exceeding 150% of the then in-effect conversion price over a ten-business day period; and (iv) holder rights to convert into either shares of the Company’s common stock or pre-funded warrants upon the election of the holders of the 2020 Notes.

Embedded derivatives are separated from the host contract and the 2020 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 certain embedded derivatives within the 2020 Notes meet these criteria and, as such, must be valued separate and apart from the 2020 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 2020 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 2020 Notes would be converted by the holder, called by the issuer, or held at each decision point. Within the lattice model, the following assumptions are made: (i) the 2020 Notes will be converted by the holder if the conversion value plus the holder’s Make-Whole Payment is greater than the holding value; or (ii) the 2020 Notes will be called by the issuer if (a) the stock price exceeds 150% of the then in-effect conversion price over a ten-business day period and (b) if the holding value is greater than the conversion value plus the Make-Whole Payment at the time.

Using this lattice model, the Company valued the embedded derivative using a “with-and-without method”, where the value of the 2020 Notes including the embedded derivative is defined as the “with”, and the value of the 2020 Notes excluding the embedded derivative is defined as the “without”. This method estimates the value of the embedded derivative by comparing the difference in the values between the 2020 Notes with the embedded derivative and the value of the 2020 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 2020 Notes Indenture); (iii) Conversion Price (as defined in the 2020 Notes Indenture); (iv) maturity date; (v) risk-free interest rate; (vi) estimated stock volatility; and (vii) estimated credit spread for the Company.

As of June 30, 2017 the estimated fair value of the embedded derivatives was \$8.6 million. Any change in the estimated fair value of the embedded derivatives represents an unrealized gain/loss which has been recorded as \$1.7 million loss from the change in fair value of embedded derivatives in the consolidated statements of operations. The Company recorded the estimated fair value of the embedded derivative with the 2020 Notes, net in the consolidated

balance sheets.

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

| | June 30, 2017 | June 20, 2017 (*) | | |
|-----------------------------|-------------------|----------------------|------|---|
| Stock price | \$0.69 | \$0.62 | | |
| Conversion Rate per \$1,000 | 1,358.90 | 1,358.90 | | |
| Conversion Price | \$0.7359 | \$0.7359 | | |
| Maturity date | March 15, 2020 | March 15, 2020 | | |
| Risk-free interest rate | 1.49 | % | 1.45 | % |
| Estimated stock volatility | 80.0 | % | 80.0 | % |
| Estimated credit spread | 27.0 | % | 26.0 | % |

12

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

(*) – The 2017 Notes were exchanged for the 2020 Notes on June 20, 2017 (the “Exchange Date”).

Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the embedded featured within the 2020 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.

2022 Notes Embedded Derivative

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 “2022 Notes Indenture”)); and (ii) a Coupon Make-Whole Payment (as defined in the 2022 Notes 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 2022 Notes 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 binomial 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 2022 Notes Indenture); (iii) Conversion Price (as defined in the 2022 Notes Indenture); (iv) maturity date; (v) risk-free interest rate; (vi) estimated stock volatility; and (vii) estimated credit spread for the Company.

As of June 30, 2017 and December 31, 2016, the estimated fair value of the embedded derivatives was zero. Any decline in the estimated fair value of the embedded derivatives represents an unrealized gain which has been recorded as gain from change in fair value of embedded derivatives in the consolidated statements of operations. The Company recorded the estimated fair value of the embedded derivative with the 2022 notes, net in the consolidated balance

sheets.

Derivative Warrant Liability

The following warrants were sold by the Company:

In December 2013, the Company sold warrants to purchase 71,013 shares of the Company's common stock (the "2013 Warrants").

In August 2014, the Company sold warrants to purchase 50,000 shares of the Company's common stock (the "2014 Warrants").

In February 2015, the Company sold Series A warrants to purchase 110,833 shares of the Company's common stock (the "Series A Warrants") and Series B warrants to purchase 110,883 shares of the Company's common stock (the "Series B Warrants").

In May 2015, the Company sold Series C warrants to purchase 21,500 shares of the Company's common stock (the "Series C Warrants").

In December 2015, the Company sold Series D warrants to purchase 502,500 shares of the Company's common stock (the "Series D Warrants") and Series E warrants to purchase 400,000 shares of the Company's common stock (the "Series E Warrants").

13

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

In April 2016, the Company sold 514,644 Series F warrants to purchase one share of common stock (each a “Series F Warrant”) and 1,029,286 Series H warrants, each to purchase one share of common stock (each, a “Series H Warrant”), and 328,571 pre-funded Series G warrants (“Series G Warrants”) to purchase one share of common stock, pursuant to an underwritten public offering.

In September 2016, the Company sold 712,503 Series I warrants to purchase one share of common stock (each a “Series I Warrant”) and 185,000 pre-funded Series J warrants (“Series J Warrants”) to purchase one share of common stock, pursuant to an underwritten public offering.

In February 2017, the Company sold 6,250,000 Series K warrants to purchase one share of common stock (each a “Series K Warrant”), 570,000 pre-funded Series L warrants (“Series L Warrants”) to purchase one share of common stock, and 6,250,000 Series M warrants (“Series M Warrants”) each to purchase one share of common stock, pursuant to an underwritten public offering.

The following table sets forth information pertaining to shares issued upon the exercise of such warrants as of June 30, 2017:

| | Issuance | Expiration | Exercise | Shares | Shares | Shares |
|-------------------|------------|------------|----------|---------------|-------------|-------------|
| | Date | Date | Price as | Underlying | Issued | Underlying |
| | | | of June | Warrants on | upon | Warrants |
| | | | 30, | Issuance | Warrant | Outstanding |
| | | | 2017 | Date | as of June | as of June |
| | | | | | 30, 2017 | 30, 2017 |
| 2013 Warrants | 12/16/2013 | 12/16/2018 | \$ 9.17 | 71,013 | (15,239) | 55,774 |
| 2014 Warrants | 8/5/2014 | 8/5/2019 | \$ 7.01 | 50,000 | (30,538) | 19,462 |
| Series A Warrants | 2/3/2015 | 2/3/2020 | \$ 0.68 | 110,833 | (99,416) | 11,417 |
| Series B Warrants | 2/3/2015 | 8/3/2015 | - | (1) 110,833 | (96,795) | - |
| Series C Warrants | 5/19/2015 | 5/19/2020 | \$ 5.68 | 21,500 | - | 21,500 |
| Series D Warrants | 12/11/2015 | 12/11/2020 | \$ 2.00 | 502,500 | (501,570) | 930 |
| Series E Warrants | 12/11/2015 | 12/11/2016 | - | (1) 400,000 | (400,000) | - |
| Series F Warrants | 4/1/2016 | 4/1/2021 | \$ 2.00 | 514,644 | (233,857) | 280,787 |
| Series G Warrants | 4/1/2016 | 4/1/2017 | - | (1) 328,571 | (328,571) | - |
| Series H Warrants | 4/1/2016 | 10/1/2016 | - | (1) 1,029,286 | (900,438) | - |
| Series I Warrants | 9/13/2016 | 9/13/2021 | \$ 11.00 | 712,503 | - | 712,503 |
| Series J Warrants | 9/13/2016 | 9/13/2017 | - | (1) 185,000 | (185,000) | - |
| Series K Warrants | 2/17/2017 | 2/17/2022 | \$ 0.68 | 6,250,000 | - | 6,250,000 |
| Series L Warrants | 2/17/2017 | 2/17/2018 | - | (1) 570,000 | (570,000) | - |
| Series M Warrants | 2/17/2017 | 11/17/2017 | \$ 2.35 | 6,250,000 | - | 6,250,000 |
| | | | | 17,106,683 | (3,361,424) | 13,602,373 |

(1) Warrants have either been fully exercised and/or expired as of June 30, 2017.

The agreements governing the above warrants include the following terms:

- certain 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;

14

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

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 successor entity 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, the Series I Warrants, the Series K Warrants, and the Series M 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 \$2.4 million and \$2.7 million as of June 30, 2017 and December 31, 2016, respectively. The decrease in the derivative warrant liability is the result of the decline in the Company's stock price.

During the six months ended June 30, 2017, the Company issued 570,000 shares of common stock as a result of the exercise of Series L Warrants. The Company received proceeds of \$5,700 from such exercises.

In May 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 of Series H Warrants exercisable into 375,000 shares of the Company's common stock, from an exercise price of \$15.00 per share of common stock to \$6.00 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 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 of Series H Warrants exercisable into 150,000 shares of the Company's common stock, from an exercise price of \$15.00 per share of common stock to \$8.40 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 of Series H Warrants exercisable into 100,000 shares of the Company's common stock, from an exercise price of \$15.00 per share of common stock to \$10.40 per share of common stock, for the remaining term of these warrants. Ultimately, the Company adjusted the exercise price to \$10.40 per share of common stock for Series H Warrants exercisable into 50,000 shares of the Company's common stock. Except for the reduction in exercise price, the terms of these Series H Warrants remain unchanged.

In June 2016, as permitted by Section 9 of the Series D Warrant agreement, the Company agreed with certain holders of the Series D Warrants to amend the exercise price and accelerate the initial exercise date for Series D Warrants exercisable into 208,370 shares of the Company's common stock held by such holders. Pursuant to that amendment,

with respect to these Series D Warrants held by those holders, the exercise price was increased from an exercise price of \$2.00 per share of common stock to \$3.50 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, 2017, all of the Series H Warrants and Series D Warrants for which the exercise price had been adjusted were fully exercised.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

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, 2017 | December 31, 2016 |
|---|---------------------|-------------------------|
| Accounts payable - trade | \$1,371 | \$ 2,611 |
| Accrued legal-related fees | 288 | 626 |
| Accrued employee compensation | 1,396 | 1,385 |
| Accrued interest | 41 | 359 |
| Accrued taxes payable | 89 | 136 |
| Accrued production fees | 495 | 89 |
| Short-term capital lease | - | 147 |
| Other accrued liabilities * | 1,064 | 840 |
| Total accounts payable and accrued liabilities | \$4,744 | \$ 6,193 |

*Other accrued liabilities consist of audit fees and a variety of other expenses, none of which individually represent greater than five percent of total current liabilities.

7. Debt

2020 Notes

The following table sets forth information pertaining to the 2020 Notes which is included in the Company's consolidated balance sheets (in thousands).

| | Principal | | Debt | | 2020 Notes Embedded Derivative | Total 2020 Notes and Notes Embedded Derivative |
|-----------------------------|----------------------------|--------------------------|------------------|------------------------|---|---|
| | Amount of 2020 Notes | Paid-In-Kind Interest | Debt Discount | Debt Issue Costs | | |
| Balance - December 31, 2016 | \$- | \$ - | \$- | \$- | \$ - | \$ - |
| | \$16,492 | - | \$(3,009) | \$(779) | \$12,704 | \$ 6,975 |

Issuance of 2020 Notes and related discounts and

| | | | | | | | |
|--|-----------|------|-------------|----------|-----------|----------|-----------|
| issue costs | | | | | | | |
| Amortization of debt discount | - | - | 26 | - | 26 | - | 26 |
| Amortization of debt issue costs | - | - | - | 7 | 7 | - | 7 |
| Accretion of paid-in-kind interest | - | 8 | - | - | 8 | - | 8 |
| Change in fair value of 2020 Notes embedded derivative | - | - | - | - | - | 1,662 | 1,662 |
| Balance - June 30, 2017 | \$ 16,492 | \$ 8 | \$ (2,983) | \$ (772) | \$ 12,745 | \$ 8,637 | \$ 21,382 |

On April 19, 2017, the Company entered into an Exchange and Purchase Agreement (the “Purchase Agreement”) with WB Gevo, LTD (the “Holder”) the holder of the 2017 Notes, which were issued under that certain Indenture dated as of June 6, 2014, by and among the Company, the guarantors party thereto, and Wilmington Savings Fund Society, FSB, as trustee and as collateral trustee (as supplemented, the “2017 Notes Indenture”), and Whitebox Advisors LLC, in its capacity as representative of the Holder (“Whitebox”). Pursuant to the terms of the Purchase Agreement, the Holder, subject to certain conditions, including approval of the transaction by the Company’s stockholders (which was received on June 15, 2017), agreed to exchange all of the outstanding principal amount of the 2017 Notes for an equal principal amount of the 2020 Notes, plus an amount in cash equal to the accrued and unpaid interest (other than interest paid in kind) on the 2017 Notes (the “Exchange”). Pursuant to the Purchase Agreement, the Company also granted the Holder an option (the “Purchase Option”) to purchase up to an additional aggregate principal amount of \$5.0 million of 2020 Notes (the “Option Notes”), at a purchase price equal to the aggregate principal amount of such Option Notes purchased, having identical terms (other than with respect to the issue date and restrictions on transfer relating to compliance with applicable securities law) to the 2020 Notes issued, at any time on or within ninety (90) days of the closing of the Exchange. On June 20, 2017, the Company completed the Exchange, terminated the 2017 Notes Indenture and cancelled the 2017 Notes. The Company recognized an

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

approximately \$4.0 million loss which has been recorded as loss on exchange or conversion of debt within the consolidated statements of operations.

The 2020 Notes will mature on March 15, 2020. The 2020 Notes bear interest at a rate equal to 12% per annum (with 2% potentially payable as PIK Interest (as defined and described below) at the Company's option), payable on March 31, June 30, September 30, and December 31 of each year. Under certain circumstances, the Company has the option to pay a portion of the interest due on the 2020 Notes by either (a) increasing the principal amount of the 2020 Notes by the amount of interest then due or (b) issuing additional 2020 Notes with a principal amount equal to the amount of interest then due (interest paid in the manner set forth in (a) or (b) being referred to as "PIK Interest"). In the event the Company pays any portion of the interest due on the 2020 Notes as PIK Interest, the maximum aggregate principal amount of 2020 Notes that could be convertible into shares of the Company's common stock will be increased. Additional shares of the Company's common stock may also become issuable pursuant to the 2020 Notes in the event the Company is required to make certain make-whole payments as provided in the 2020 Notes Indenture.

The 2020 Notes are convertible into shares of the Company's common stock, subject to certain terms and conditions. The initial conversion price of the 2020 Notes is equal to \$0.7359 per share of common stock, or 1.3589 shares of common stock per \$1 principal amount of 2020 Notes (the "Conversion Price"). In addition, upon certain equity financing transactions by the Company, the Holders will have a one-time right to reset the Conversion Price (the "Reset Provision") (i) in the first ninety (90) days following the Exchange Date, at a 25% premium to the common stock price in the equity financing and (ii) after ninety (90) and to and including one hundred eighty (180) days following the closing of the Exchange, at a 35% premium to the common stock share price in the equity financing. Following an exercise of the Reset Provision, the Holders will also have a right to consent to certain equity financings by the Company during the one hundred eighty (180) days following the closing of the Exchange.

Each Holder has agreed not to convert its 2020 Notes into shares of Company common stock to the extent that, after giving effect to such conversion, the number of shares of common stock beneficially owned by such Holder and its affiliates would exceed 4.99% of Company common stock outstanding at the time of such conversion (the "4.99% Ownership Limitation"); provided that a Holder may, at its option and upon sixty-one (61) days' prior notice to the Company, increase such threshold to 9.99% (the "9.99% Ownership Limitation"). If a conversion of 2020 Notes by Whitebox would exceed the 4.99% Ownership Limitation or the 9.99% Ownership Limitation, as applicable, the Purchase Agreement contains a provision granting the holder a fully funded prepaid warrant for such common stock with a term of nine months, subject to a 6 month extension, which it can draw down from time to time.

Other than as set forth in the Reset Provision, the 2020 Notes do not contain any anti-dilution adjustments for future equity issuances that are below the Conversion Price, and adjustments to the Conversion Price will only generally be made in the event that there is a dividend or distribution paid on shares of the Company's common stock, a subdivision, combination or reclassification of the Company's common stock, or at the discretion of the Board of Directors of the Company in limited circumstances and subject to certain conditions.

Under certain circumstances, we may file one or more registration statements on Form S-3 or amend filings in order to register shares of common stock for sale or resale, as necessary in connection with the 2020 notes.

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 and only advance of the Term Loan in the amount of \$22.8 million, net of discounts and issue costs of \$1.6 million and \$1.5 million, respectively, was made to the Company in May 2014. Also in May 2014, the Company and its subsidiaries entered into an Exchange and Purchase Agreement (the “Exchange and Purchase Agreement”) with WB Gevo, Ltd. and the other Lenders party thereto from time to time and Whitebox, in its capacity as administrative agent for the Lenders. Pursuant to the terms of the Exchange and Purchase Agreement, the Lenders were given the right, subject to certain conditions, to exchange all or a portion of the outstanding principal amount of the Term Loan for the Company’s 2017 Notes, which were convertible into shares of the Company’s common stock. While outstanding, the Term Loan bore an interest rate equal to 15% per annum, of which 5% was payable in cash and 10% was payable in kind and capitalized and added to the principal amount of the Term Loan.

In June 2014, the Lenders exchanged all \$25.9 million of outstanding principal amount of Term Loan for 2017 Notes, together with accrued paid-in-kind interest of \$0.2 million. The terms of the 2017 Notes were set forth in an indenture by and among the

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Company, its subsidiaries in their capacity as guarantors, and Wilmington Savings Fund Society, FSB, as trustee (the “2017 Notes Indenture”).

On February 13, 2017, the Company and its subsidiaries, as guarantors, entered into an Tenth Supplemental Indenture (the “Tenth Supplemental Indenture”) with Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and Whitebox, relating to the 2017 Notes. The Tenth Supplemental Indenture amended the 2017 Notes Indenture to, among other things, (i) extend the maturity date of the 2017 Notes to June 23, 2017, (ii) increase the interest rate on the 2017 Notes from 10.0% to 12.0% per annum, and (iii) required the Company to pay down approximately \$9.6 million in principal outstanding leaving the remaining principal balance of the 2017 Notes at approximately \$16.5 million.

While the 2017 Notes were outstanding, the Company was required to maintain an interest reserve in an amount equal to 10% of the original outstanding principal amount of \$26.1 million, to be adjusted on an annual basis. As of December 31, 2016, there was a balance of \$2.6 million in the interest reserve account. This amount was classified as restricted deposits.

As described above, on June 20, 2017, the Company and the Holder exchanged all of the outstanding principal amount of the 2017 Notes for an equal principal amount of the 2020 Notes. As a result, at June 30, 2017, the outstanding principal amount of the 2017 Notes was zero.

The Company elected the fair value option for accounting of the 2017 Notes in order for management to mitigate income statement volatility caused by measurement basis differences between the embedded instruments or to eliminate complexities of applying certain accounting models. Accordingly, the principal amount of 2017 Notes outstanding at December 31, 2016 of \$26.1 million was recorded at its estimated fair value of \$25.8 million, and is included in the 2017 Notes recorded at fair value on the consolidated balance sheets at December 31, 2016. Debt issuance costs of \$1.5 million were expensed at issuance and a gain of \$4.2 million has been recognized in subsequent periods in connection with the election of the fair value option. Change in the estimated fair value of the 2017 Notes represents an unrealized gain included in gain (loss) from change in fair value of 2017 Notes in the consolidated statements of operations. The fair value of the 2017 Notes at the issuance date were equal to the net proceeds from the loan. During the six months ended June 30, 2017 and 2016, the Company incurred cash interest expense of \$1.0 and \$1.3 million, respectively related to the 2017 Notes.

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. As a result of the June 20, 2017 exchange of the 2017 Notes for the 2020 Notes, there is no longer any value attributed to the 2017 Notes at June 30, 2017.

| | |
|-----------------------------|-------------------------|
| | December 31, 2016 |
| Stock price | \$ 3.40 |
| Conversion Rate per \$1,000 | 2.90 |
| Conversion Price | \$ 344.83 |
| Maturity date | |

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

| | March 15, 2017 | |
|----------------------------|-------------------|---|
| Risk-free interest rate | 0.49 | % |
| Estimated stock volatility | 80.0 | % |
| Estimated credit spread | 20.0 | % |

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 | Change in Estimated | |
|--|---------------------------|------------------------|----------|
| | 2017 Notes | Fair Value | Total |
| Balance - December 31, 2016 | \$26,108 | \$ (339) | \$25,769 |
| Loss from change in fair value of debt | - | 339 | 339 |
| Paydown of principal balance | (9,616) | - | (9,616) |
| Exchange of 2017 notes for 2020 notes | (16,492) | - | (16,492) |
| Balance - June 30, 2017 | \$- | \$ - | \$- |

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the 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, 2017, 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.

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 | Debt | Debt | |
| | of 2022 | Discount | Issue | Total |
| | Notes | Costs | | |
| Balance - December 31, 2016 | \$ 9,575 | \$ (1,307) | \$ (47) | \$ 8,221 |
| Amortization of debt discount | - | 149 | \$ - | 149 |
| Amortization of debt issue costs | - | - | \$ 6 | 6 |
| Exchange of 2022 Notes | (8,885) | - | \$ - | (8,885) |
| Write-off of debt discount and debt issue costs associated with | | | | |
| extinguishment of debt | - | 1,158 | \$ 41 | 1,199 |
| Balance - June 30, 2017 | \$ 690 | \$ - | \$ - | \$ 690 |

In July 2012, the Company sold \$45.0 million in aggregate principal amount of 2022 Notes, for 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 three months ended June 30, 2017 and 2016, the Company recorded \$0.08 million and \$1.1 million, respectively, of expense related to the amortization of debt discounts and issue costs, \$1.2 million and nil million, respectively, of expense related to the exchange of debt; and \$0.02 million and \$0.4 million, respectively, of interest expense related to the 2022 Notes. The amortization of debt issue costs, 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 0.5856 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 \$1,707.65 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. 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. Prior to 2016, the Company converted \$20.1 million in outstanding 2022 Notes in return for 28,978 shares of the Company's common stock, of which, 7,331 represented amount owed under the Coupon Make-Whole Payment. Additionally, the Company issued 55,392 shares in exchange for the redemption of \$2.5 million of the 2022 Notes.

In the second half of 2016, the Company issued 951,801 shares in exchange for the redemption of \$12.8 million in outstanding 2022 Notes. In the first half of 2017, the Company issued 2,982,053 shares in exchange for \$8.9 million in outstanding 2022 Notes, resulting in approximately \$1.0 million loss on exchange of debt.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

If a Make-Whole Fundamental Change (as defined in the 2022 Notes 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 0.6734 per \$1,000 principal amount of 2022 Notes.

The Company had 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 has 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.

The holders of the 2022 Notes had a one-time option to require the Company to repurchase on July 1, 2017 (or on the first business day following such date), at a purchase price, payable in cash, equal to one hundred percent (100%) of the principal amount of any 2022 Notes to be so purchased, plus accrued and unpaid interest. Prior to July 1, 2017, certain holders of the 2022 Notes delivered notices to the trustee 2022 Notes requiring the repurchase of \$175,000 principal amount of the 2022 Notes, plus accrued and unpaid interest, which was completed on July 3, 2017.

If there is an Event of Default (as defined in the 2022 Notes Indenture) under the 2022 Notes, the holders of not less than 25% in principal amount of the outstanding notes 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 2022 Notes and accrued and unpaid interest thereon to be due and payable immediately. There have been no Events of Default as of June 30, 2017.

8. Gevo Development

The Company made capital contributions to Gevo Development of \$6.7 million and \$12.3 million, respectively, during the six months ended June 30, 2017 and the year ended December 31, 2016.

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

Three Months Ended June 30,

| | Six Months Ended June | | | |
|---------------------------|-----------------------|-------------|-------------|-------------|
| | 2017 | | 2016 | |
| | | | | |
| Gevo Development Net Loss | \$ (3,067) | \$ (2,946) | \$ (7,178) | \$ (6,522) |

The accounts of Agri-Energy are consolidated within Gevo Development as a wholly-owned subsidiary which is then consolidated into Gevo.

9. Stock-Based Compensation

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

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|---------------|---------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Stock options and employee stock purchase plan awards | | | | |
| Research and development | \$ 9 | \$ 16 | \$ 18 | \$ 41 |
| Selling, general and administrative | 31 | 97 | 61 | 200 |
| Restricted stock awards | | | | |
| Research and development | 1 | 31 | 13 | 81 |
| Selling, general and administrative | - | 28 | 17 | 96 |
| Restricted stock units | | | | |
| Research and development | 17 | 1 | 35 | 14 |
| Selling, general and administrative | 39 | 11 | 81 | 110 |
| Total stock-based compensation | \$ 97 | \$ 184 | \$ 225 | \$ 542 |

10. Commitments and Contingencies

Legal Matters. From time to time, the Company has been and may again become involved in legal proceedings arising in the ordinary course of our business. The Company is not presently a party to any litigation that we believe to be material and is not aware of any pending or threatened litigation against the Company that it believes 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, 2017 and December 31, 2016, the Company had capital lease liabilities of \$0 million and \$0.1 million, respectively, included in accounts payable and accrued liabilities and other long-term liabilities on its consolidated balance sheets.

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 three and six months ended June 30, 2017 and June 30, 2016 was \$0.4 million and \$0.8 million, respectively.

The table below shows the future minimum payments under non-cancelable operating leases and at June 30, 2017 (in thousands):

| | Operating Leases |
|------------------|---------------------|
| 2017 (remaining) | 761 |
| 2018 | 1,421 |
| 2019 | 907 |
| 2020 | 394 |
| 2021 | 200 |
| Total | \$ 3,683 |

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, 2017 and December 31, 2016, the Company did not have any liabilities associated with indemnities.

Certain of the Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable, for which the carrying value on the Company's balance sheet approximates their fair values due to the short maturities.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

In addition, 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, 2017 or December 31, 2016.

11. Fair Value Measurements

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

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

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

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

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

These tables present the carrying value and fair value, by fair value hierarchy, of our financial instruments, excluding cash and cash equivalents, accounts receivable and accounts payable at June 30, 2017 and December 31, 2016, respectively (in thousands).

Fair Value Measurements at June 30, 2017

(In thousands)
Quoted Prices in

| | Fair Value at | Active Markets for Identical Assets (Level 1) | Markets for Similar Assets (Level 2) | Other Significant Unobservable Inputs (Level 3) |
|---|---------------|---|--------------------------------------|---|
| Recurring: | | | | |
| Derivative Warrant Liability | \$ 2,391 | \$- | \$ - | \$ 2,391 |
| 2020 Embedded Derivative Liability | 8,637 | - | - | 8,637 |
| Total Recurring Fair Value Measurements | \$ 11,028 | \$- | \$ - | \$ 11,028 |
| Nonrecurring | | | | |
| 2020 Notes | \$ 13,483 | \$- | \$ - | \$ 13,483 |
| Corn and finished goods inventory | 970 | 189 | 781 | \$ - |
| Total Non-Recurring Fair Value Measurements | \$ 14,453 | \$189 | \$ 781 | \$ 13,483 |

Fair Value Measurements at December 31, 2016

(In thousands)
Quoted Prices in

| | Fair Value at | Active Markets for Identical Assets (Level 1) | Markets for Similar Assets (Level 2) | Other Significant Unobservable Inputs (Level 3) |
|---|---------------|---|--------------------------------------|---|
| Recurring: | | | | |
| Derivative Warrant Liability | \$ 2,698 | \$- | \$ 1,884 | \$ 814 |
| 2017 Notes | 25,769 | - | - | 25,769 |
| Total Recurring Fair Value Measurements | \$ 28,467 | \$- | \$ 1,884 | \$ 26,583 |

Nonrecurring

| | | | | |
|---|----------|-------|----------|------|
| Corn and finished goods inventory | \$ 1,327 | \$108 | \$ 1,219 | \$ - |
| Total Non-Recurring Fair Value Measurements | \$ 1,327 | \$108 | \$ 1,219 | \$ - |

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

The following table provides changes to those fair value measurements using Level 3 inputs for the six months ended June 30, 2017.

| | Fair Value Measurements Using Significant Unobservable Inputs | | | |
|--|---|------------|------------|--------------------------------|
| | (Level 3) (in thousands) | | | 2020 Notes Embedded Derivative |
| | Derivative Warrant Liability | 2017 Notes | 2020 Notes | |
| Opening Balance | \$ 814 | \$ 25,769 | \$ - | \$ - |
| Transfers into Level 3 | 1,884 | - | - | - |
| Transfers out of Level 3 | - | - | - | - |
| Total (gains) or losses for the period | | | | |
| Included in earnings | (5,520) | 339 | - | 1,662 |
| Included in other comprehensive income | - | - | - | - |
| Purchases, issues, sales and settlements | | | | |
| Purchases | - | - | - | - |
| Issues | 5,670 | - | 13,483 | 6,975 |
| Sales | - | - | - | - |
| Settlements | (457) | (26,108) | - | - |
| Closing balance | \$ 2,391 | \$ - | \$ 13,483 | \$ 8,637 |

Inventories. The Company records its 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 and dry distiller's grain based upon Level 1 inputs using quoted market prices. The Company records its ethanol, isobutanol and hydrocarbon inventory at market using Level 2 inputs.

2017 Notes. The Company had estimated the fair value of the 2017 Notes to be \$25.8 million at December 31, 2016, respectively, utilizing a binomial lattice model. The Company derecognized the liability when it exchanged the 2017 Notes for the 2020 Notes on June 20, 2017. See Note 7, Debt, for fair value inputs used to estimate the fair value of the 2017 Notes and for additional disclosures on the 2017 Notes exchange.

2020 Notes. The Company has estimated the fair value of the 2020 Notes to be \$13.5 million at June 20, 2017, the date the Company exchanged the 2017 Notes for the 2020 Notes, utilizing a binomial lattice model. The Company has elected to account for the 2020 Notes using the amortized cost method and reported at \$12.7 million, net of debt discount and issuance costs at June 30, 2017.

2020 Notes Embedded Derivative. The Company had estimated the fair value of the embedded derivative on a stand-alone basis to be \$8.6 million at June 30, 2017 based upon Level 3 inputs. See Note 5, Embedded Derivatives and Derivative Warrant Liabilities, 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.

2022 Notes Embedded Derivative. The Company had estimated the fair value of the embedded derivative on a stand-alone basis to be \$0 million at June 30, 2017 and December 31, 2016, respectively, based upon Level 3 inputs. See Note 5, Embedded Derivatives and Derivative Warrant Liabilities, 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. Prior to 2017, the Company estimated the fair value of the Series A, Series F and Series K warrants using a Monte-Carlo model (Level 3). For all other warrants the Company valued these using a standard Black-Scholes model (Level 2). However, beginning in the first quarter 2017, the Company valued the Series F and K using a Monte-Carlo model (Level 3) and other warrants using Black-Scholes models comprised of some inputs requiring the use of Monte-Carlo models (Level 3).

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.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

12. Segments

We have determined that we have two operating segments: (i) Gevo segment; and (ii) Gevo Development/Agri-Energy segment. We organize our business segments based on the nature of the products and services offered through each of our consolidated legal entities. Transactions between segments are eliminated in consolidation.

Gevo Segment. Our Gevo segment is responsible for all research and development activities related to the future production of isobutanol, including the development of our proprietary biocatalysts, the production and sale of biojet fuel, our retrofit process and the next generation of chemicals and biofuels that will be based on our isobutanol technology. Our Gevo segment also develops, maintains and protects our intellectual property portfolio, develops future markets for our isobutanol and provides corporate oversight services.

Gevo Development/Agri-Energy Segment. Our Gevo Development/Agri-Energy segment is currently responsible for the operation of our Luverne Facility and the production of ethanol, isobutanol and related products.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-------------|---------------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | |
| Gevo | \$ 660 | \$ 915 | \$ 749 | \$ 1,420 |
| Gevo Development / Agri-Energy | 6,882 | 7,198 | 12,408 | 13,013 |
| Consolidated | \$ 7,542 | \$ 8,113 | \$ 13,157 | \$ 14,433 |
| Loss from operations: | | | | |
| Gevo | \$ (3,091) | \$ (2,556) | \$ (6,156) | \$ (4,864) |
| Gevo Development / Agri-Energy | (3,086) | (2,936) | (7,205) | (6,494) |
| Consolidated | \$ (6,177) | \$ (5,492) | \$ (13,361) | \$ (11,358) |
| Interest expense: | | | | |
| Gevo | \$ 630 | \$ 2,232 | \$ 1,341 | \$ 4,365 |
| Gevo Development / Agri-Energy | - | 14 | - | 31 |
| Consolidated | \$ 630 | \$ 2,246 | \$ 1,341 | \$ 4,396 |
| Depreciation expense: | | | | |
| Gevo | \$ 127 | \$ 164 | \$ 264 | \$ 332 |
| Gevo Development / Agri-Energy | 1,538 | 1,497 | 3,077 | 2,950 |
| Consolidated | \$ 1,665 | \$ 1,661 | \$ 3,341 | \$ 3,282 |
| Acquisitions of plant, property and equipment: | | | | |
| Gevo | \$ 53 | \$ 88 | \$ 109 | \$ 92 |

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

| | | | | |
|--------------------------------|--------|--------|-------|---------|
| Gevo Development / Agri-Energy | 265 | 307 | 882 | 4,755 |
| Consolidated | \$ 318 | \$ 395 | \$991 | \$4,847 |

| | June 30, 2017 | December 31, 2016 |
|--------------------------------|------------------|----------------------|
| Total assets: | | |
| Gevo | \$95,444 | \$ 110,072 |
| Gevo Development / Agri-Energy | 154,964 | 156,749 |
| Intercompany eliminations | (153,437) | (154,497) |
| Consolidated | \$96,971 | \$ 112,324 |

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

13. Subsequent Events

None

26

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements. When used anywhere in this Quarterly Report on Form 10-Q (this "Report"), the words "expect," "believe," "anticipate," "estimate," "intend," "plan" and similar expressions are intended to identify forward-looking statements. These statements relate to future events or our future financial or operational performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Such risks and uncertainties include those related to our ability to sell our products, our ability to expand production of isobutanol at our production facility in Luverne, Minnesota (the "Luverne Facility"), our ability to meet guidance, the continued listing of our common stock on The NASDAQ Capital Market, our ability and plans to construct a commercial hydrocarbon facility to produce alcohol-to-jet fuel ("ATJ"), our ability to raise additional funds to continue operations and expand the Luverne Facility, our ability to produce isobutanol at a profit, achievement of advances in our technology platform, the success of our retrofit production model, 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, 2016 (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 subsidiaries.

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.

Reverse Stock Split

On December 21, 2016, our Board of Directors approved a one-for-twenty reverse split of our common stock, par value \$0.01 per share. This reverse stock split became effective on January 5, 2017 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.

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 renewable isobutanol as well as related products from renewable feedstocks. 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, including isooctane, isooctene and alcohol-to-jet-fuel (“ATJ”), as well as 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 (“BGPY”) 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, should allow us to optimize asset utilization and cash flows at a facility by taking advantage of fluctuations in market conditions. GIFT ® is also designed to allow relatively low capital expenditure Retrofits of existing ethanol facilities, enabling a relatively rapid route to isobutanol production from the fermentation of renewable feedstocks. Alternatively, GIFT ® can be deployed at a greenfield or brownfield site to produce isobutanol only. We believe that our production route will be cost-efficient, will enable relatively 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.

NASDAQ Market Price Compliance

On June 21, 2017, we received a letter from the staff (the "Staff") of The NASDAQ Stock Market LLC ("NASDAQ") providing notification that, for the previous 30 consecutive business days, the bid price for our common stock had closed below the \$1.00 per share minimum bid price requirement for continued listing under NASDAQ Listing Rule 5550(a)(2). The notice has no immediate effect on the listing of our common stock, and our common stock will continue to trade on the NASDAQ Capital Market under the symbol "GEVO."

If we do not regain compliance with the minimum bid price requirement by December 18, 2017, we may be eligible for an additional 180 calendar day compliance period, provided that we meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the NASDAQ Capital Market, with the exception of the minimum bid price requirement, and we would need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary. However, if it appears to the Staff that we will not be able to cure the deficiency, or if we are otherwise not eligible, NASDAQ would notify us that our securities would be subject to delisting. In the event of such a notification, we may appeal the Staff's determination to delist our securities, but there can be no assurance the Staff would grant our request for continued listing.

We intends to actively monitor the bid price of our common stock and its minimum market value of listed securities and will consider options available to us to achieve compliance with the NASDAQ listing rules. There can be no assurance that we will be able to regain compliance with the minimum bid price requirement or will otherwise be in compliance with the other listing standards for the NASDAQ Capital Market.

2017 Highlights and Developments

On July 25, 2017, the Company announced, in conjunction with Praj Industries Ltd. ("Praj") that our proprietary isobutanol technology will now be available for licensing to processors of sugar cane juice and molasses. This follows on the back of Praj's development work, adapting our technology to sugar cane and molasses feedstocks. A Joint Development Agreement and a Development License Agreement were entered into between Praj and us in November 2015. The goal of these agreements was for Praj to adapt our isobutanol technology to using non-corn based sugars and lignocellulose feedstocks. In the first phase of development, Praj worked with our technology using sugar cane and molasses feedstocks, developed a process design package that will now be offered for commercialization to cane juice and molasses-based ethanol plants, as licensees of our isobutanol technology. Licensing is expected to be focused on Praj plants located in India, South America and South East Asia, with initial capacity targeted to come on-line in the 2019/2020 timeframe.

On June 9, 2017, we entered into a private exchange agreement with a holder of the 7.5% convertible senior notes due July 2022 (the "2022 Notes") to exchange an aggregate of \$485,000 in principal amount of 2022 Notes for an aggregate

of 736,671 shares of common stock. On July 3, 2017, we repurchased \$175,000 of its outstanding 7.5% convertible senior notes due July 2022 (the “2022 Notes”) pursuant to a one-time repurchase option under the 2022 Currently, \$515,000 principal amount of the 2022 Notes are issued and outstanding.

On June 20, 2017, we announced that WB Gevo, Ltd. (the “Holder”), the holder of the Company’s issued and outstanding Senior Secured Convertible Notes, due June 23, 2017 (the “2017 Notes”), exchanged (the “Exchange”) all \$16.5 million of the existing 2017 Notes for \$16.5 million of our newly created 12.0% Convertible Senior Secured Notes due March 15, 2020 (the “2020 Notes”).

28

On May 23, 2017, we announced that a bill recently signed by Arizona Governor Doug Ducey will let gas stations sell isobutanol-blended gasoline for on-road vehicles, enabling higher performing finished fuels with renewable content for drivers in the state. Bill HB2368 permits isobutanol to be used as an oxygenate in gasoline for on-road vehicles in Arizona. The new law takes effect in August 2017. While the law authorizes the use of isobutanol-blended gasoline for on-road vehicles, our isobutanol is already being sold in Arizona for off-road applications such as boating, ATVs, motorcycles and landscape equipment. Isobutanol is an ideal renewable gasoline blendstock because of its high energy content, high octane, low water solubility and low volatility. Our isobutanol meets the ASTM 7862 specification that covers isobutanol blends with gasoline.

On April 28, 2017, we signed a supply agreement with HCS Holding GmbH (HCS) to supply isooctane under a five-year offtake agreement. HCS is a manufacturer of specialty products and solutions in the hydrocarbons sector, operating under such brands as Haltermann Carless. In the first phase of the supply agreement, HCS will purchase isooctane produced at our demonstration hydrocarbons plant located in Silsbee, Texas, commencing in May 2017. The pricing is fixed over the first phase and our estimates that this could generate up to \$2-3 million of gross revenue per year. In the second phase of the supply agreement, HCS agreed to purchase 300,000 gallons of isooctane per year, with an option to purchase an additional 100,000 gallons of isooctane per year, under a five-year offtake arrangement upon commencement of production at our first commercial hydrocarbon facility. The supply agreement contains a pricing formula which is intended to provide our a fixed margin. We expect to supply this isooctane from its first commercial hydrocarbons facility, which is likely to be built at the Luverne Facility (the “Luverne Facility Expansion”).

Outlook for 2017

We have established the following specific operational and financial targets and milestones for 2017:

• Restructure our balance sheet in a manner that addresses the debt represented by our outstanding convertible notes and that allows us to execute on our long-term strategy and business development plan. We believe that this target was met as a result of the Exchange that closed on June 20, 2017.

• Obtain binding supply contracts for a combination of isobutanol and related hydrocarbon products equal to at least fifty percent (50%) of the capacity of the anticipated expanded Luverne Facility that we plan to construct.

• We estimate that our maximum annual isobutanol production capacity at the Luverne Facility to be currently over 1 million gallons per year. As described below, however, we expect to produce isobutanol at levels that better match market development sales in 2017. Previously, we expected to produce approximately 500,000 gallons of isobutanol during 2017. Based on the current operational plan at the Luverne Facility that is described in more detail below, we now expect that we will produce less than 500,000 gallons of isobutanol during 2017.

• We plan to achieve a corporate-wide EBITDA burn rate (excluding stock-based compensation) of \$18.0 - \$20.0 million for the fiscal year ending December 31, 2017.

2017 Notes Restructuring Update

As disclosed above, on June 20, 2017, we and the Holder exchanged all \$16.5 million of the 2017 Notes for \$16.5 million in principal amount of our newly created 2020 Notes. The 2020 Notes are convertible into shares of our common stock, subject to certain conditions. The 2020 Notes have an initial conversion price equal to \$0.7359 per share. Upon completion of certain equity issuances by us, the Holder will have a one-time right to reset the Conversion Price (i) in the first 90 days following the Exchange, at a 25% premium to the common stock price in the equity issuance and (ii) after 90 and within 180 days following the Exchange, at a 35% premium to the common stock share price in the equity issuance

The terms of the 2020 Notes are set forth in an indenture that was entered into prior to the initial issuance of 2020 Notes by and among us, certain subsidiary guarantors, and Wilmington Savings Fund Society, FSB, as trustee (the “2020 Notes Indenture”). The key terms of the 2020 Notes are as follows:

• **Maturity Date:** The 2020 Notes will mature on March 15, 2020.

Interest: The 2020 Notes accrue interest at 12% per annum, with 10% payable in cash and 2% payable either (i) by increasing the principal amount of the 2020 notes, (ii) by issuing new 2022 notes, or (iii) by paying such interest in cash, at our option. Interest is payable on March 31, June 30, September 30, and December 31 of each year.

29

Security and Guarantees: The 2020 Notes are secured by a first lien on substantially all of our assets and our subsidiaries and are guaranteed by our subsidiaries, Agri-Energy, LLC and Gevo Development, LLC.

Make-Whole Payments: The 2020 Notes provide for certain make-whole payments (the “Make-Whole Payments”) to be made by the Company to the holders as follows: (a) each holder who exercises its option to voluntarily convert any of its 2020 Notes will receive a make-whole payment for the converted 2020 Notes in an amount equal to any unpaid interest that would otherwise have been payable on such 2020 Notes through the applicable maturity date; (b) each holder whose 2020 Notes are converted in a mandatory conversion will receive a make-whole payment for the converted 2020 Notes in an amount equal to any unpaid interest that would have otherwise been payable on such 2020 Notes through the applicable maturity date; and (c) each holder who exercises its option to require us to repurchase any or all of such holder’s 2020 Notes upon the occurrence of a Fundamental Change (as defined in the 2020 Notes Indenture) will receive a cash make-whole payment for the repurchased 2020 Notes in an amount equal to any unpaid interest that would otherwise have been payable on such 2020 Notes through the applicable maturity date. A fundamental change includes, among other things, our common stock ceasing to be listed on a national securities exchange.

The Exchange and the issuance of the 2020 Notes required stockholder approval which was obtained at our Annual Meeting of Stockholders held on June 15, 2017

Isobutanol, Hydrocarbons and Ethanol Production, Sales and Inventory

In the second quarter of 2017, we decided to focus 100% of our production activities at our Luverne Facility to the production of ethanol. This is consistent with our previous production guidance to align isobutanol production with our isobutanol sales efforts, such that over certain periods we would only produce ethanol at the Luverne Facility. Given the Luverne Facility has only one production line suitable for isobutanol, our current isobutanol production costs are higher than our expected sales price. As a result, the cash flow profile of the Luverne Facility is improved by dedicating production to ethanol, rather than co-producing isobutanol and ethanol.

For the balance of 2017, we expect to maintain limited production of isobutanol to better conserve our cash. We expect to produce some level of isobutanol in the second half of 2017, with the primary goals being to continue to optimize our isobutanol fermentation processes and decrease our production costs, as well as to generate data which we believe will assist us in designing and engineering the Luverne Facility Expansion. As a result, we do not expect to meet our previously stated target of producing 500,000 gallons of isobutanol during 2017.

During the second quarter of 2017, we sold limited quantities of isobutanol and renewable hydrocarbons (ATJ, isooctane and isooctene). In the quarter, our isobutanol market development efforts were focused on gaining market acceptance in our core gasoline blendstock markets such as marinas and on-road gasoline fueling stations, while maintaining our targeted selling price. We continued to work with our distribution partners to make investments to develop end-customer relationships, as well as to establish value chains to deliver our isobutanol to those end-customers. We believe that gasoline end users such as boat owners and car owners remain interested in purchasing isobutanol containing gasoline because of the improved properties compared to ethanol containing gasoline.

Our market development efforts related to our renewable hydrocarbon products were mainly targeted towards entering into binding supply agreements to underpin the economics of the expanded Luverne Facility Expansion that we plan to construct. We have been in discussions with numerous potential ATJ and isooctane customers to enter into long term supply agreements, with a goal in 2017 of signing contracts representing the majority of the isobutanol production volumes to be produced at the expanded Luverne Facility. In the second quarter of 2017, we secured our first such binding agreement with HCS to supply isooctane, as described above. Currently, we are discussing or negotiating terms for long-term supply agreements with two large potential customers, including one potential customer that has one of the largest aircraft fleets in the world. There can be no assurances that these discussions or

negotiations will result in definitive binding agreements

The current U.S. Presidential Administration (the “Administration”) and political environment have created significant uncertainty for the renewable fuels and chemicals markets, which have complicated our market development efforts. As an example, during 2017, uncertainties over the Administration’s decision-making related to the Environmental Protection Agency and the RFS resulted in a significant decline in the pricing of D6 RINs. RINs are serial numbers assigned to biofuels for the purpose of tracking their production, use and trading, as required under the RFS, and can be sold and traded, and as a result, carry a monetary value. Many of our isobutanol and hydrocarbon products generate RINs, so the economic proposition of our products to potential customers is impacted by fluctuations in RIN prices.

30

As we develop markets for our products, there will likely be a mismatch in timing between isobutanol production and sales. As a result, at times we will likely build isobutanol inventory levels. Currently, our alcohol storage capacity is limited at our Luverne Facility, and our isobutanol inventory, together with our ethanol inventory, may exceed such storage capacity. This will cause us to seek other forms of storage, such as railcars, customer sites or investing in additional storage capabilities which will require expenditures of additional capital. At June 30, 2017, we had approximately 270,000 gallons of isobutanol and approximately 51,000 gallons of renewable hydrocarbons in inventory.

Also, during the second quarter of 2017, we produced and sold approximately 4.1 million and 4.0 million gallons of ethanol, respectively.

Luverne Facility Expansion

We believe that the current configuration of the Luverne Facility, whereby we co-produce isobutanol and ethanol utilizing one fermenter for isobutanol production and three fermenters for ethanol production, will not enable us to become profitable on a consolidated basis. We believe that the best way for us to become profitable is to undertake the Luverne Facility Expansion, whereby we would convert the Luverne Facility to the sole production of isobutanol, with some percentage of such isobutanol volumes to be further processed into hydrocarbons such as ATJ and isooctane. We believe the Luverne Facility represents the best site to expand our isobutanol production because it leverages the equipment we have already installed at the site, in particular our GIFT[®] technology system.

We are currently conducting engineering work to determine the potential production capacity of the Luverne Facility following the Luverne Facility Expansion, as well as the capital cost associated with the project. The supply contracts, which we anticipate signing in 2017, are expected to form the basis on which we would set the specific configuration of the Luverne Facility in terms of end product mix between isobutanol, ATJ and isooctane. In the second half of 2017, we expect to be able to communicate publicly more of the details on the estimated scale, configuration and capital cost for the Luverne Facility Expansion.

Lufthansa Update

As previously disclosed, in September 2016, we entered into the Heads of Agreement with Lufthansa in September 2016. The terms of the Heads of Agreement contemplate Lufthansa purchasing up to 8 million gallons per year of ATJ fuel or up to 40 million gallons over the 5-year life of the proposed off-take agreement. The Heads of Agreement established a selling price that is expected to allow for an appropriate level of return on the capital required to build-out our first commercial scale hydrocarbons facility. The Heads of Agreement is non-binding and is subject to completion of a binding off-take agreement and other definitive documentation between the Company and Lufthansa (collectively, the “Definitive Agreement”).

At the time we entered into the Heads of Agreement with Lufthansa, we expected to complete the Definitive Agreement within a few months. The delay in finalizing the definitive documentation is primarily due to Lufthansa’s desire to gain better clarity around (i) our expected timing for commencing the expansion of the Luverne Facility to produce the ATJ contemplated by the Heads of Agreement, (ii) the ultimate production mix to be produced at the expanded Luverne Facility, as well as the other customers who will offtake such production, (iii) completion of the repayment or restructuring of our debt obligations and (iv) the supply chain specifics to enable the delivery of ATJ from the Luverne Facility to the wing of an airplane at an airport. Currently, we are not negotiating the Definitive Agreement with Lufthansa as we work on resolving and providing Lufthansa with more clarity with respect to the aforementioned items.

There can be no assurances that we will re-engage in negotiations or enter into a definitive binding agreement with Lufthansa reflecting the terms of the Heads of Agreement or have the ability to finance and successfully complete the build out of a commercial hydrocarbon facility and increase production of ATJ contemplated by the Heads of Agreement.

Luverne Facility Update

In the second quarter of 2017, we hired a third-party engineering firm to test the structural integrity of two of our oldest fermentation vessels. These fermentation vessels are fabricated from carbon steel and are dedicated to ethanol production. Testing determined that the two fermentation vessels likely have approximately two years and six months, respectively, of useful life remaining under the current operating strategy unless replaced or repaired. We are currently exploring options to extend the life of these two fermentation vessels. The options we are exploring include making repairs to the affected fermentation vessels, changing the manner in which we run the Luverne Facility to effectively extend the life of the affected fermentation vessels and constructing one or more new fermentation vessels to replace the affected fermentation vessels. Depending on the outcome of the evaluation of these options and/or the implementation of one or more options to extend the life of the affected fermentation vessels, it is possible that the condition of the two affected fermentation vessels could force us to cease isobutanol production or to completely cease all production activities at the Luverne Facility for an extended period of time.

Financial Condition

Financial Condition. For the three months ended June 30, 2017 and 2016, we incurred a consolidated net loss of \$10.2 million and \$21.5 million, respectively, and had an accumulated deficit of \$392.8 million at June 30, 2017. Our cash and cash equivalents at June 30, 2017 totaled \$16.3 million and are expected to be used for the following purposes: (i) operating activities of the Luverne Facility; (ii) operating activities at our corporate headquarters in Colorado, including research and development work; (iii) capital improvements primarily associated with the Luverne Facility, including costs associated with the Luverne expansion; (iv) costs associated with optimizing isobutanol production technology; (v) exploration of 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 its product candidates. To date, we have financed its operations primarily with proceeds from multiple sales of equity and debt securities, borrowings under debt facilities and product sales. We expect to incur future net losses as it continues to fund the development and commercialization of its product candidates. Our transition to profitability is dependent upon, among other things, the successful development and commercialization of its product candidates and the achievement of a level of revenues adequate to support our cost structure. We may never achieve profitability or positive cash flows, and unless and until it does, we will continue to need to raise additional cash.

We intend to fund future operations through additional private and/or public offerings of debt or equity securities. In addition, we are seeking additional capital through arrangements with strategic partners and from other sources. We may also seek to restructure our secured debt and will continue to address our cost structure. Notwithstanding, there can be no assurance that we will be able to raise additional funds, or achieve or sustain profitability or positive cash flows from operations.

As at the date of our last audited financial statements, existing working capital was not sufficient to meet the cash requirements to fund planned operations through the period that is one year after the date our 2016 year-end financial statements were issued. 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 its outstanding convertible notes. The accompanying financial statements have been prepared assuming that we 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 our assets and the satisfaction of liabilities in the normal course of business.

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 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 or achieve or sustain profitability or positive cash flows from operations.

Results of Operations

Comparison of the Three Months Ended June 30, 2017 and 2016

| (in thousands) | Three Months Ended June 30, | | |
|---|--------------------------------|---------------------|------------------|
| | 2017 | 2016 | Change |
| Revenue and cost of goods sold | | | |
| Ethanol sales and related products, net | \$ 6,839 | \$ 7,168 | \$(329) |
| Hydrocarbon revenue | 660 | 713 | (53) |
| Grant and other revenue | 43 | 232 | (189) |
| Total revenues | 7,542 | 8,113 | (571) |
| Cost of goods sold | 9,705 | 9,989 | (284) |
| Gross loss | (2,163) | (1,876) | (287) |
| Operating expenses | | | |
| Research and development expense | 1,891 | 1,469 | 422 |
| Selling, general and administrative expense | 2,123 | 2,147 | (24) |
| Total operating expenses | 4,014 | 3,616 | 398 |
| Loss from operations | (6,177) | (5,492) | (685) |
| Other (expense) income | | | |
| Interest expense | (630) | (2,246) | 1,616 |
| (Loss) on exchange of debt | (3,969) | - | (3,969) |
| (Loss) on extinguishment of warrant liability | - | (923) | 923 |
| (Loss) from change in fair value of the 2017 Notes | - | (940) | 940 |
| (Loss)/Gain from change in fair value of derivative warrant liability | 2,260 | (10,573) | 12,833 |
| (Loss) from change in fair value of 2020 notes embedded derivative | (1,662) | - | (1,662) |
| (Loss) on issuance of equity | - | (1,519) | 1,519 |
| Other income | 20 | 206 | (186) |
| Total other expense, net | (3,981) | (15,995) | 12,014 |
| Net loss | \$ (10,158) | \$ (21,487) | \$ 11,329 |

Revenues. Revenue associated with the sale of ethanol, as well as isobutanol and related products for the three months ended June 30, 2017 was \$6.8 million, a decrease of \$0.3 million from the three months ended June 30, 2016. This decrease was primarily a result of ethanol and lower distiller grain prices. During the three months ended June 30, 2017, we sold 4.0 million gallons of ethanol compared to 3.9 million gallons of ethanol sold in the three months ended June 30, 2016. Hydrocarbon revenue decreased during the three months ended June 30, 2017 primarily as a result of lower shipments of finished products from our demonstration plant located at the South Hampton Resources, Inc. facility near Houston, Texas (the "South Hampton Facility"). Hydrocarbon revenues are comprised of ATJ, isooctane and isooctene sales. Grant and other revenue was \$43,000 during the three months ended June 30, 2017, down \$0.2 million as compared to the same period in 2016, primarily as a result of the Company's contract with

the Northwest Advanced Renewables Alliances ending in 2016.

Cost of goods sold. Cost of goods sold was \$9.7 million during the three months ended June 30, 2017, compared with \$9.9 for the same quarter in 2016. Cost of goods sold in the 2017 period included approximately \$8.2 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 increased by approximately \$0.4 million during the three months ended June 30, 2017, compared with the same quarter in 2016, due primarily to an increase in employee related expenses and costs associated with the South Hampton Facility.

Selling, general and administrative expense. Selling, general and administrative expense decreased by approximately \$24,000 during the three months ended June 30, 2017, compared with the same quarter in 2016, due primarily to a decrease in legal expenses.

Interest expense. Interest expense in the second quarter of 2017 was \$0.6 million, a decrease of \$1.6 million over the same quarter last year, due to a decrease in outstanding debt obligations.

(Loss) on exchange of debt. During the three months ended June 30, 2017, we incurred a \$4.0 million loss as a result primarily from the exchange of the 2017 Notes for the 2020 Notes.

(Loss) from change in fair value of the 2017 Notes. During the three months ended June 30, 2017, there was no change in the fair value of the 2017 Notes up to and including the June 20, 2017 exchange date with the 2020 Notes.

(Loss)/Gain from change in fair value of derivative warrant liability. During the three months ended June 30, 2017, the estimated fair value of the derivative warrant liability decreased, resulting in a non-cash gain from change in fair value of derivative warrant liability of \$2.3 million, primarily associated with the decrease in the price of the Company's common stock during the quarter.

(Loss) from change in fair value of the 2020 notes embedded derivative. During the three months ended June 30, 2017, the estimated fair value of the 2020 notes embedded derivative liability increased, resulting in a non-cash loss of \$1.7 million primarily due to the increase in the price of the Company's stock from the June 20, 2017 issuance of the 2020 Notes in exchange for the 2017 Notes to June 30, 2017.

Comparison of the Six Months Ended June 30, 2017 and 2016

| | Six Months Ended June | | |
|---|-----------------------|------------------|-----------------|
| | 30, | | |
| | 2017 | 2016 | Change |
| Revenue and cost of goods sold | | | |
| Ethanol sales and related products, net | \$ 12,333 | \$ 12,925 | \$(592) |
| Hydrocarbon revenue | 749 | 1,011 | (262) |
| Grant and other revenue | 75 | 497 | (422) |
| Total revenues | 13,157 | 14,433 | (1,276) |
| Cost of goods sold | 19,113 | 19,212 | (99) |
| Gross loss | (5,956) | (4,779) | (1,177) |
| Operating expenses | | | |
| Research and development expense | 3,108 | 2,513 | 595 |
| Selling, general and administrative expense | 4,297 | 4,066 | 231 |
| Total operating expenses | 7,405 | 6,579 | 826 |
| Loss from operations | (13,361) | (11,358) | (2,003) |
| Other (expense) income | | | |
| Interest expense | (1,341) | (4,396) | 3,055 |
| (Loss) on exchange of debt | (4,933) | - | |
| (Loss) on extinguishment of warrant liability | - | (923) | 923 |
| (Loss) from change in fair value of the 2017 Notes | (339) | (1,775) | 1,436 |
| (Loss)/Gain from change in fair value of derivative warrant liability | 5,519 | (5,325) | 10,844 |

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

| | | | |
|--|--------------|--------------|----------|
| (Loss) from change in fair value of 2020 notes embedded derivative | (1,662) | - | |
| (Loss) on issuance of equity | - | (1,519) | |
| Other income | 26 | 206 | (180) |
| Total other expense, net | (2,730) | (13,732) | 11,002 |
| Net loss | \$ (16,091) | \$ (25,090) | \$ 8,999 |

Revenues. Revenue associated with the sale of ethanol, as well as isobutanol and related products for the six months ended June 30, 2017 was \$12.3 million, a decrease of \$0.6 million from the six months ended June 30, 2016. This decrease was primarily a result of lower ethanol sales and distiller grain prices. During the six months ended June 30, 2017, we sold 7.3 million gallons of ethanol

compared to 7.6 million gallons of ethanol sold in the six months ended June 30, 2016. Hydrocarbon revenue decreased during the six months ended June 30, 2017 primarily as a result of lower shipments of finished products from our demonstration plant located at the South Hampton Resources, Inc. facility near Houston, Texas (the “South Hampton Facility”). Hydrocarbon revenues are comprised of ATJ, isooctane and isooctene sales. Grant and other revenue was \$76,000 during the six months ended June 30, 2017, down \$0.4 million as compared to the same period in 2016, primarily as a result of the Company’s contract with the Northwest Advanced Renewables Alliances ending in 2016.

Cost of goods sold. Cost of goods sold was \$19.1 million during the six months ended June 30, 2017, compared with \$19.2 for the same quarter in 2016. Cost of goods sold in the 2017 period included approximately \$16.0 million associated with the production of ethanol, isobutanol and related products and approximately \$3.1 million in depreciation expense.

Research and development expense. Research and development expense increased by approximately \$0.6 million during the six months ended June 30, 2017, compared with the same quarter in 2016, due primarily to an increase in employee related expenses and costs associated with the South Hampton facility.

Selling, general and administrative expense. Selling, general and administrative expense increased by approximately \$0.2 million during the six months ended June 30, 2017, compared with the same quarter in 2016, due primarily to an increase in employee related expenses.

Interest expense. Interest expense in the first quarter of 2017 was \$1.3 million, which was a decrease of \$3.0 million over the same quarter last year, due to a decrease in outstanding debt obligations.

(Loss) on exchange of debt. During the six months ended June 30, 2017, we incurred a \$4.9 million loss as a result of a \$4.0 million loss on the exchange of the 2017 Notes for the 2020 Notes and a \$0.9 million loss resulting from exchanging the 2022 Notes for the Company’s common stock.

(Loss) from change in fair value of the 2017 Notes. During the six months ended June 30, 2017, we incurred a non-cash loss of \$0.3 million during the first quarter of 2016 due to the quarterly mark-to-market valuation of the 2017 Notes.

(Loss)/Gain from change in fair value of derivative warrant liability. During the six months ended June 30, 2017, the estimated fair value of the derivative warrant liability decreased, resulting in a non-cash gain from change in fair value of derivative warrant liability of \$5.5 million, primarily associated with the decrease in the price of the Company’s common stock in the quarter.

(Loss) from change in fair value of the 2020 notes embedded derivative. During the six months ended June 30, 2017, the estimated fair value of the 2020 notes embedded derivative liability increased, resulting in a non-cash loss of \$1.7 million primarily due to the increase in the price of the Company’s stock from the June 20, 2017 issuance of the 2020 Notes in exchange for the 2017 Notes to June 30, 2017.

Revenues, Cost of Goods Sold and Operating Expenses

Revenues

During the six months ended June 30, 2017 and 2016, we generated revenue from: (i) the sale of ethanol, isobutanol and related products; (ii) hydrocarbon sales consisting primarily of the sale of ATJ fuel, isooctane and isooctene derived from our isobutanol for purposes of certification and testing; and (iii) government grants and research and

development programs.

Cost of Goods Sold and Gross Loss

Cost of goods sold during the three months ended June 30, 2017 and 2016 primarily includes costs directly associated with isobutanol production and ethanol production at the Luverne Facility, such as costs for direct materials, direct labor, depreciation, other operating costs and certain plant overhead costs. Direct materials include corn feedstock, denaturant and process chemicals. Direct labor includes compensation of personnel directly involved in production operations at the Luverne Facility. Other operating costs include utilities and natural gas usage.

Our gross loss is defined as our total revenue less our cost of goods sold.

35

Research and Development

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

Selling, General and Administrative

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

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

Liquidity and Capital Resources

Our independent auditor included “going-concern” language in our audited financial statements for the year-ended December 31, 2016. For more information, see the section above entitled “Financial Condition.”

Since our inception in 2005, we have devoted most of our cash resources to manufacturing, research and development, defense of intellectual property and selling, general and administrative activities related to the commercialization of isobutanol, as well as related products from renewable feedstocks. We have incurred losses since inception and expect to incur losses through at least the remainder of 2017 and likely beyond. 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.

The continued operation of our business, including the Luverne Facility Expansion, is dependent upon raising additional capital through future public and private equity offerings, debt financings or through other alternative financing arrangements. In addition, successful completion of our research and development programs and the attainment of profitable operations are dependent upon future events, including access to sufficient capital, repayment of our current debt, completion of our development activities resulting in sales of isobutanol or isobutanol-derived products and/or technology, achieving market acceptance and demand for our products and services and attracting and retaining qualified personnel.

As of June 30, 2017, we had an accumulated deficit of \$392.8 million with cash and cash equivalents totaling \$16.3 million.

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

| | Six Months Ended | |
|---|------------------|------------|
| | June 30, | |
| | 2017 | 2016 |
| Net cash used in operating activities | \$(13,384) | \$(11,365) |
| Net cash used in investing activities | \$(1,315) | \$(4,847) |
| Net cash provided by financing activities | \$3,114 | \$21,798 |

Operating Activities

Our primary uses of cash from operating activities are personnel-related expenses, research and development-related expenses which include costs incurred under development agreements; costs and expenses for the production of isobutanol, ethanol and related products; logistics costs; costs associated with further processing of isobutanol and costs associated with the operation of the hydrocarbon demonstration production facility located in Silsbee, Texas.

During the six months ended June 30, 2017, we used \$13.4 million in cash from operating activities primarily resulting from a net loss of \$16.1 million, offset by a \$2.5 million decrease in working capital and \$5.2 million in non-cash charges.

Investing Activities

During the six months ended June 30, 2017, we used \$1.3 million in cash from investing activities related primarily to capital expenditures at our Luverne Facility.

Financing Activities

During the six months ended June 30, 2017, we accumulated \$3.1 million associated with financing activities, primarily from the \$11.0 million raised in a public offering in February 2017 coupled with the release of restricted cash deposits held as collateral for the 2017 Notes, partially offset by the pay down of approximately \$9.6 million in principal on the 2017 Notes in February 2017 and approximately \$0.9 million in costs associated with financing transactions.

2020 Notes

On April 19, 2017, we entered into the Purchase Agreement with the Holder of the 2017 Notes, and Whitebox Advisors LLC, in its capacity as representative of the Holder (“Whitebox”). Pursuant to the terms of the Purchase Agreement, the Holder, subject to certain conditions, including approval of the transaction by our stockholders (which was received on June 15, 2017), agreed to exchange all of the outstanding principal amount of the 2017 Notes for an equal principal amount of our newly created 2020 Notes, plus an amount in cash equal to the accrued and unpaid interest (other than interest paid in kind) on the 2017 Notes (the “Exchange”). Pursuant to the Purchase Agreement, we also granted the Holder an option (the “Purchase Option”) to purchase up to an additional aggregate principal amount of \$5.0 million of 2020 Notes (the “Option Notes”), at a purchase price equal to the aggregate principal amount of such Option Notes purchased, having identical terms (other than with respect to the issue date and restrictions on transfer relating to compliance with applicable securities law) to the 2020 Notes issued, at any time on or within ninety (90) days of the closing of the Exchange. As noted above, on June 20, 2017, we completed the Exchange, terminated the 2017 Notes Indenture and cancelled the 2017 Notes. As of June 30, 2017, the outstanding principal on the 2020 Notes was \$16.5 million.

The 2020 Notes will mature on March 15, 2020. The 2020 Notes bear interest at a rate equal to 12% per annum (with 2% potentially payable as PIK Interest (as defined and described below) at our option), payable on March 31, June 30, September 30, and December 31 of each year. Under certain circumstances, we have the option to pay a portion of the interest due on the 2020 Notes by either (a) increasing the principal amount of the 2020 Notes by the amount of interest then due or (b) issuing additional 2020 Notes with a principal amount equal to the amount of interest then due (interest paid in the manner set forth in (a) or (b) being referred to as “PIK Interest”).

The 2020 Notes are convertible into shares of our common stock, subject to certain terms and conditions. The initial conversion price of the 2020 Notes is equal to \$0.7359 per share of common stock, or 1.3589 shares of common stock per \$1 principal amount of 2020 Notes (the “Conversion Price”). In addition, upon certain equity financing transactions by us, the Holders will have a one-time right to reset the Conversion Price (the “Reset Provision”) (i) in the first ninety (90) days following the Exchange Date, at a 25% premium to the common stock price in the equity financing and (ii) after ninety (90) and to and including one hundred eighty (180) days following the closing of the Exchange, at a 35% premium to the common stock share price in the equity financing. Following an exercise of the Reset Provision, the Holders will also have a right to consent to certain equity financings by the us during the one hundred eighty (180) days following the closing of the Exchange.

See Note 7, Debt, to our consolidated financial statements included herein for further discussion of the 2020 Notes.

2017 Notes

On April 19, 2017, we and our subsidiaries, as guarantors, entered into an Eleventh Supplemental Indenture (the “Eleventh Supplemental Indenture”) with Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and Whitebox, relating to the 2017 Notes. The Eleventh Supplemental Indenture amended the 2017 Notes Indenture to, among other things, (i) extend the maturity date of the 2017 Notes to June 23, 2017, (ii) increase the interest rate on the 2017 Notes from 10.0% to 12.0% per annum, and (iii) required us to pay down approximately \$9.6 million in principal outstanding leaving the remaining principal balance of the 2017 Notes at approximately \$16.5 million.

While the 2017 Notes were outstanding, we were required to maintain an interest reserve in an amount equal to 10% of the original outstanding principal amount of \$26.1 million, to be adjusted on an annual basis. As of December 31, 2016, there was a balance of \$2.6 million in the interest reserve account. This amount was classified as restricted deposits. The \$2.6 million has since been released.

See Note 7, Debt, to our consolidated financial statements included herein for further discussion of the 2017 Notes.

2022 Notes

In July 2012, we sold \$45.0 million in aggregate principal amount of 2022 Notes, for net proceeds of \$40.9 million, after accounting for \$2.7 million and \$1.4 million of cash discounts and issue costs, respectively. The 2022 Notes bear interest at 7.5% which is to be paid semi-annually in arrears on January 1 and July 1 of each year commencing on January 1, 2013. As a result of certain conversion and exchanges, the principal balance of the 2022 Notes was \$690,000 as of June 30, 2017.

The 2022 Notes will mature on July 1, 2022, unless earlier repurchased, redeemed or converted. Additionally, on July 1, 2017, each holder had the right to require us to repurchase all of such holder's 2022 Notes, or any portion thereof that is an integral multiple of \$1,000 principal amount, for cash at a repurchase price of 100% of the principal amount of such 2022 Notes plus any accrued and unpaid interest thereon through, but excluding, the repurchase date. On July 3, 2017, we repurchased the \$175,000 principal amount of the 2022 Notes under this repurchase option. As a result of this repurchase, the principal balance of the 2022 Notes was \$515,000 as of July 3, 2017.

The 2022 Notes are convertible at a conversion rate of 0.5856 shares of the Company's common stock per \$1,000 principal amount of 2022 Notes, subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of approximately \$1,707.65 per share of common stock. The Holder may convert the 2022 Notes at any time prior to the close of business on the third business day immediately preceding the maturity date of July 1, 2022.

If a holder elects to convert its 2022 Notes prior to July 1, 2017, such holder shall be entitled to receive, in addition to the consideration upon conversion, a Coupon Make-Whole Payment (as defined in the 2022 Notes Indenture). 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%. We may pay any Coupon Make-Whole Payment either in cash or in shares of common stock at its election.

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

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

See Note 7, Debt, to our consolidated financial statements included herein for further discussion of the 2022 Notes.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies since December 31, 2016. However, see Note 1, Nature of Business, Financial Condition and Basis of Presentation, to our consolidated financial statements included herein for a discussion of recently issued accounting pronouncements and their impact or future potential

impact on our financial results, if determinable. For a description of critical accounting policies that affect our significant judgments and estimates used in the preparation of our consolidated financial statements, refer to our Annual Report.

Contractual Obligations and Commitments

The following summarizes the future commitments arising from our contractual obligations at June 30, 2017 (in thousands).

| | Less than 1 year | 1 - 3 years | 4 - 5 years | 5+ Years | Total |
|-------------------------------|------------------|-------------|-------------|----------|-----------|
| Principal debt payments (1) | \$ - | \$ 16,492 | \$ - | \$ 690 | \$ 17,182 |
| Interest payments on debt (2) | 2,030 | 3,490 | 104 | 26 | 5,650 |
| Operating leases (3) | 1,469 | 1,815 | 399 | - | 3,683 |
| Insurance & Maintenance | 49 | - | - | - | 49 |
| Total | \$ 3,548 | \$ 21,797 | \$ 503 | \$ 716 | \$ 26,564 |

(1) Represents cash principal payments due to the holders of the 2020 Notes and 2022 Notes.

(2) Represents cash interest payments due to the holders of the 2020 Notes and 2022 Notes.

(3) Represents commitments for operating leases related to our leased facility in Englewood, Colorado and our lease for rail cars in Luverne, Minnesota for ethanol and isobutanol shipments.

The table above reflects only payment obligations that are fixed and determinable as of June 30, 2017.

Off-Balance Sheet Arrangements

As of June 30, 2017, we did not have any material off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There was no material change in our market risk exposure during the three months ended June 30, 2017. For a discussion of our market risk associated with commodity prices, equity prices and interest rates, see “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A of our Annual Report.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosures.

Management, including the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2017. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable but not absolute assurance that the objectives of the disclosure

controls and procedures are met. The design of any disclosure control and procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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.

Item 1A. Risk Factors.

You should carefully consider the risk factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report and the risk factors set forth below, which could materially affect our business, financial condition, cash flows or future results. Except as set forth below, there have been no material changes in our risk factors included in our Annual Report. The risk factors described herein and in our Annual Report are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Risks Relating to our Business and Strategy

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

We have incurred net losses of \$16.1 million, \$37.2 million, \$36.2 million, and \$41.1 million during the six months ended June 30, 2017 and the years ended December 31, 2016, 2015, and 2014, respectively. As of June 30, 2017, we had an accumulated deficit of \$392.8 million. We expect to incur losses and negative cash flows from operating activities for the foreseeable future. We currently derive the majority of our revenue from the sale of isobutanol, ethanol and related products at the Luverne Facility, although over certain periods of time, we may and have operated the Luverne Facility for the sole production of ethanol and related products to maximize cash flows.

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

As a result, even if our revenues increase substantially, we expect that our expenses will exceed revenues for the foreseeable future. We do not expect to achieve profitability during the foreseeable future, and may never achieve it. If we fail to achieve profitability, or if the time required to achieve profitability is longer than we anticipate, we may not be able to continue our business. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

There is substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain further financing.

Our audited financial statements for the year ended December 31, 2016, were prepared under the assumption that we would continue our operations as a going concern. Our independent registered public accounting firm for the year

ended December 31, 2016 included a “going concern” emphasis of matter paragraph in its report on our financial statements as of, and for the year ended, December 31, 2016, indicating that the amount of working capital at December 31, 2016 was not sufficient to meet the cash requirements to fund planned operations through the period that is one year after the date our 2016 financial statements were issued without additional sources of cash, which raises substantial doubt about our ability to continue as a going concern at June 30, 2017. Uncertainty concerning our ability to continue as a going concern may hinder our ability to obtain future financing. Continued operations and our ability to continue as a going concern are dependent on our ability to obtain additional funding in the near future and thereafter, and there are no assurances that such funding will be available to us at all or will be available in sufficient amounts or on reasonable terms. Our financial statements do not include any adjustments that may result from the outcome of this uncertainty. Without additional funds from private and/or public offerings of debt or equity securities, sales of assets, sales of our licenses of intellectual property or technologies, or other transactions, we will exhaust our resources and will be unable to continue operations. If we cannot continue as a viable entity, we may be forced to seek bankruptcy protection and our stockholders would likely lose most or all of their investment in us.

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

As of June 30, 2017, we had \$16.5 million of outstanding principal on the 2020 Notes, which were issued to Whitebox in June 2017, and \$690,000 of outstanding principal on the 2022 Notes (together with the 2020 Notes, the “Convertible Notes”), which were issued in July 2012. In addition, we and any current and future subsidiaries of ours may incur substantial additional debt in the future, subject to the specified limitations in our existing financing documents and the indentures governing our outstanding Convertible Notes. If new debt is added to our or any of our subsidiaries’ debt levels, the risks described herein could intensify.

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

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

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

In particular, the 2020 Notes are secured by liens on substantially all of our assets, including our intellectual property. If we are unable to satisfy our obligations under such instruments, the Holder, Whitebox could foreclose on our assets, including our intellectual property. Any such foreclosure could force us to substantially curtail or cease our operations which could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to owning our Securities

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

In order to fund our business over the past few years, we have raised capital by issuing common stock and warrants in underwritten public offerings because no other reasonable sources of capital were available. These underwritten public offerings of common stock and warrants have materially and adversely affected the prevailing market prices of our common stock and caused significant dilution to our stockholders. We anticipate that for the foreseeable future we will continue to raise capital through these dilutive underwritten public offerings of common stock and warrants.

We may obtain additional funds through public or private debt or equity financings in the near future, subject to certain limitations in the agreements governing our indebtedness, including the 2020 Notes. If we issue additional shares of common stock or instruments convertible into common stock, it may materially and adversely affect the

price of our common stock. In addition, the conversion of some or all of the Convertible Notes and/or the exercise of some or all of the warrants may dilute the ownership interests of our stockholders, and any sales in the public market of any of our common stock issuable upon such conversion or exercise could adversely affect prevailing market prices of our common stock. Additionally, under the terms of certain warrants in the event that a warrant is exercised at a time when we do not have an effective registration statement covering the underlying shares of common stock on file with the SEC, such warrant may be net exercised, which will dilute the ownership interests of existing stockholders without any corresponding benefit to the Company of a cash payment for the exercise price of such warrant.

As of June 30, 2017, we had \$690,000 in outstanding 2022 Notes, which were convertible into 404 shares of common stock at the conversion rate in effect on such date. The anticipated conversion of the \$690,000 in outstanding 2022 Notes into shares of our common stock could depress the trading price of our common stock. In addition, we have recently entered into several private exchange agreements with holders of the 2022 Notes to exchange their debt for shares of our common stock, in order to reduce the

principal balance of the 2022 Notes. If we issue additional shares of our common stock in such debt-for-equity exchanges, this may cause significant additional dilution to our existing stockholders.

As of June 30, 2017, we had \$16.5 million in outstanding 2020 Notes, which were convertible into 404 shares of our common stock at the conversion rate in effect on such date. The 29.7 million shares includes 7.3 million shares of common stock that may be issuable from time to time in the event that the Company elects to pay make-whole payments due upon conversion of the 2017 Notes, if any, in shares of common stock. We may also pay a portion of the interest due on the 2020 Notes in the form of PIK Interest. The anticipated conversion of the outstanding 2020 Notes and any payment of PIK Interest in shares of our common stock could depress the trading price of our common stock. In addition, subject to certain restrictions, we have the option to issue common stock to any converting holder in lieu of making any required make-whole payment in cash. If we elect to issue our common stock for such payment, it will be at the same conversion rate that is applicable to conversions of the principal amount of the 2020 Notes. If we elect to issue additional shares of our common stock for such payments, this may cause significant additional dilution to our existing stockholders.

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

Our common stock is listed on The NASDAQ Capital Market. In order to maintain that listing, we must satisfy minimum financial and other continued listing requirements and standards.

In the event that our common stock is not eligible for quotation on another market or exchange, trading of our common stock could be conducted in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely be a reduction in our coverage by security analysts and the news media, which could cause the price of our common stock to decline further. In addition, it may be difficult for us to raise additional capital if we are not listed on a major exchange.

Furthermore, it would be a fundamental change under the indentures governing the Convertible Notes if our common stock is not listed on a national securities exchange. In such circumstance we would be required to offer to repurchase the Convertible Notes at 100% of principal plus accrued and unpaid interest to, but not including, the repurchase date. We would also be required to pay the holders of the 2020 Notes a fundamental change make-whole payment equal to the aggregate amount of interest that would have otherwise been payable on such notes, to, but not including, the maturity date of such notes.

On June 21, 2017, we received a letter from the Staff of NASDAQ providing notification that, for the previous 30 consecutive business days, the bid price for our common stock had closed below the \$1.00 per share minimum bid price requirement for continued listing under NASDAQ Listing Rule 5550(a)(2). If we do not regain compliance with the minimum bid price requirement by December 18, 2017, we may be eligible for an additional 180 calendar day compliance period, subject to certain conditions. There can be no assurance that we will be able to regain compliance with the minimum bid price requirement or will otherwise be in compliance with the other listing standards for The NASDAQ Capital Market.

Previously, we have failed to maintain a minimum bid price of \$1 per share as required by NASDAQ listing requirements. As a result, we asked our stockholders to approve reverse stock splits in 2015 and 2016 in order to increase our stock price above \$1 per share to regain compliance with NASDAQ listing requirements. Stockholders approved the reverse stock splits in 2015 and 2016 which allowed us to comply with the minimum bid price of \$1 per share NASDAQ listing requirement. As of June 30, 2017, the closing price of our common stock was \$0.69 per share. The inability to comply with all applicable listing requirements or standards of The NASDAQ Capital Market and

NASDAQ could result in the delisting of our common which could have a material adverse effect on our financial condition and which could cause the value of our common stock to decline.

The indebtedness under our 2020 Notes are secured by substantially all of our assets. As a result of these security interests, such assets would only be available to satisfy claims of our general creditors or to holders of our equity securities if we were to become insolvent to the extent the value of such assets exceeded the amount of our indebtedness and other obligations.

Indebtedness under our 2020 Notes is secured by a first lien, on substantially all of our assets. Accordingly, if an event of default were to occur under our credit facilities, holders of our 2020 Notes would have a priority right to our assets, to the exclusion of our general creditors, in the event of our bankruptcy, insolvency, liquidation, or reorganization. In that event, our assets would first be used to repay in full all indebtedness and other obligations secured by them, resulting in all or a portion of our assets being unavailable to satisfy the claims of our unsecured indebtedness. Only after satisfying the claims of our unsecured creditors and our subsidiaries' unsecured creditors would any amount be available for distribution to holders of our equity securities

The terms of the agreements governing our indebtedness, including our the 2020 Notes and the indentures governing the Convertible Notes, may restrict our ability to engage in certain transactions.

The terms of the agreements governing our indebtedness, including the 2020 Notes and the indentures governing the Convertible Notes, may prohibit us from engaging in certain actions, including disposing of certain assets, granting or otherwise allowing the imposition of a lien against certain assets, incurring certain kinds of additional indebtedness, acquiring or merging with other entities, or making dividends and other restricted payments unless we receive the prior approval of the requisite lenders or the requisite holders of the Convertible Notes. If we are unable to obtain such approval, we could be prohibited from engaging in transactions which could be beneficial to our business and our stockholders or could be forced to repay such indebtedness in full.

The indentures governing the Convertible Notes may prohibit us from engaging in certain mergers or acquisitions and if a fundamental change of the Company occurs prior to the maturity date of the Convertible Notes, holders of the Convertible Notes will have the right, at their option, to require us to repurchase all or a portion of their Convertible Notes and, in certain circumstances, to pay the holders of Convertible Notes a make-whole payment equal to the aggregate amount of interest that would have been payable on such Convertible Notes from the repurchase date through the maturity date of such Convertible Notes. With respect to the 2022 Notes, if a fundamental change occurs prior to the maturity date of the 2022 Notes, we will in some cases be required to increase the conversion rate for a holder that elects to convert its 2022 Notes in connection with such fundamental change. With respect to the 2020 Notes, the Company has the right to increase the conversion rate of the 2020 Notes by any amount for a period of at least 20 business days if the Company's Board of Directors determines that such increase would be in the Company's best interest. In addition, if a fundamental transaction occurs, some holders of warrants will have the right, at their option, to require us to repurchase the unexercised portion of such warrants for an amount in cash equal to the value of the warrants, as determined in accordance with the Black Scholes option pricing model and the terms of the warrants. These and other provisions could prevent or deter a third party from acquiring us, even where the acquisition could be beneficial to you.

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

The conversion price of the 2022 Notes can fluctuate in certain circumstances, including in the event that we undertake certain stock dividends, splits, combinations or distributions, or if there is a fundamental change prior to the maturity date of the 2022 Notes. In such instances, the conversion price of the 2022 Notes can fluctuate materially lower than the current conversion price of \$1,707.65 per share. The conversion price of the 2020 Notes can fluctuate in certain circumstances, including in the event that there is a dividend or distribution paid on shares of our common stock or a subdivision, combination or reclassification of our common stock. In such instances, the conversion price of the 2020 Notes can fluctuate materially lower than the current conversion price of \$0.7359 per share.

The number of shares of common stock for which certain of our warrants, are exercisable may be adjusted in the event that we undertake certain stock dividends, splits, combinations, distributions, and the price at which such shares of common stock may be purchased upon exercise of the warrants may be adjusted in the event that we undertake certain issuances of common stock or convertible securities at prices lower than the then-current exercise price for the warrants. These provisions could result in substantial dilution to investors in our common stock.

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

If a fundamental change (as defined in the indentures governing the Convertible Notes) occurs, holders of the Convertible Notes may require us to repurchase, for cash, all or a portion of their Convertible Notes. In such

circumstance we would be required to offer to repurchase the Convertible Notes at 100% of principal plus accrued and unpaid interest to, but not including, the repurchase date. We would also be required to pay the holders of the 2020 Notes a fundamental change make-whole payment equal to the aggregate amount of interest that would have otherwise been payable on such notes to, but not including, the maturity date of such notes. If we elect to redeem the Convertible Notes prior to their maturity, the redemption price of any Convertible Notes redeemed by us will be paid for in cash. Our ability to pay the interest on the Convertible Notes, to repurchase or redeem the Convertible Notes, to refinance our indebtedness and to fund working capital needs and planned capital expenditures depends on our ability to generate cash flow in the future. To some extent, this is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot assure you that we will maintain sufficient cash reserves or that our business will generate cash flow from operations at levels sufficient to permit us to pay the interest on the Convertible Notes, to repurchase or redeem the Convertible Notes or to pay any cash amounts that may become due upon conversion of the Convertible Notes, or that our cash needs will not increase. In addition, any such repurchase or redemption of the Convertible Notes, even if such action would be in our best interests, may result in a default under the agreements governing our indebtedness unless we are able to obtain the applicable lender's consent prior to the taking of such action.

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

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

We may not be permitted by the agreements governing our indebtedness, including the 2020 Notes, to repurchase our warrants, and we may not have the ability to do so.

Under certain circumstances, if a "fundamental transaction" or "extraordinary transaction" (as such terms are defined in our various warrants) occurs, holders of our warrants may require us to repurchase, for cash, the remaining unexercised portion of such warrants for an amount of cash equal to the value of the warrant as determined in accordance with the Black Scholes option pricing model and the terms of the warrants. Our ability to repurchase the warrants depends on our ability to generate cash flow in the future. To some extent, this is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot assure you that we will maintain sufficient cash reserves or that our business will generate cash flow from operations at levels sufficient to permit us to repurchase the warrants. In addition, any such repurchase of the warrants may result in a default under the agreements governing our indebtedness, including the 2020 Notes, unless we are able to obtain such lender's consent prior to the taking of such action. If we were unable to obtain such consent, compliance with the terms of the warrants would trigger an event of default under such agreements.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

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

Item 6. Exhibits.

The exhibits listed below are filed or furnished as part of this report.

| Exhibit Number | Description | Previously Filed Form | File No. | Filing Date | Included Exhibit Herewith |
|----------------|--|-----------------------|------------|------------------|---------------------------|
| 3.1 | Amended and Restated Certificate of Incorporation of Gevo, Inc. | 10-K | 001-35073 | March 29, 2011 | 3.1 |
| 3.2 | Certificate of Amendment to Amended and Restated Certificate of Incorporation of Gevo, Inc. | 8-K | 001-35073 | June 10, 2013 | 3.1 |
| 3.3 | Certificate of Amendment to Amended and Restated Certificate of Incorporation of Gevo, Inc. | 8-K | 001-35073 | July 9, 2014 | 3.1 |
| 3.4 | Certificate of Amendment to Amended and Restated Certificate of Incorporation of Gevo, Inc. | 8-K | 001-35073 | April 22, 2015 | 3.1 |
| 3.5 | Certificate of Amendment to Amended and Restated Certificate of Incorporation of Gevo, Inc. | 8-K | 001-35073 | January 6, 2017 | 3.1 |
| 3.6 | Amended and Restated Bylaws of Gevo, Inc. | 10-K | 001-35073 | March 29, 2011 | 3.2 |
| 4.1 | Form of the Gevo, Inc. Common Stock Certificate. | S-1 | 333-168792 | January 19, 2011 | 4.1 |
| 4.2 | Fifth Amended and Restated Investors' Rights Agreement, dated March 26, 2010. | S-1 | 333-168792 | August 12, 2010 | 4.2 |
| 4.3† | | S-1 | 333-168792 | August 12, 2010 | 4.3 |

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

Stock Issuance and Stockholder's Rights Agreement, dated July 12, 2005, by and between Gevo, Inc. and California Institute of Technology.

| | | | | | |
|------|---|------|------------|-------------------|------|
| 4.4 | Amended and Restated Warrant to purchase shares of Common Stock, issued to CDP Gevo, LLC, dated September 22, 2010. | S-1 | 333-168792 | October 1, 2010 | 4.4 |
| 4.5 | Plain English Warrant Agreement No. 0647-W-01, dated August 5, 2010, by and between Gevo, Inc. and TriplePoint Capital LLC. | S-1 | 333-168792 | October 1, 2010 | 4.11 |
| 4.6 | Plain English Warrant Agreement No. 0647-W-02, dated August 5, 2010, by and between Gevo, Inc. and TriplePoint Capital LLC. | S-1 | 333-168792 | October 1, 2010 | 4.12 |
| 4.7 | Plain English Warrant Agreement, No. 0647-W-03, dated October 20, 2011, by and between Gevo, Inc. and TriplePoint Capital LLC. | 8-K | 001-35073 | October 26, 2011 | 10.7 |
| 4.8 | First Amendment to Plain English Warrant Agreement, relating to Warrant Number 0647-W-01, dated December 11, 2013, by and between Gevo, Inc. and TriplePoint Capital LLC. | 8-K | 001-35073 | December 12, 2013 | 4.1 |
| 4.9 | First Amendment to Plain English Warrant Agreement, relating to Warrant Number 0647-W-02, dated December 11, 2013, by and between Gevo, Inc. and TriplePoint Capital LLC. | 8-K | 001-35073 | December 12, 2013 | 4.2 |
| 4.10 | First Amendment to Plain English Warrant Agreement, relating to Warrant Number 0647-W-03, dated December 11, 2013, by and between Gevo, Inc. and TriplePoint Capital LLC. | 8-K | 001-35073 | December 12, 2013 | 4.3 |
| 4.11 | Common Stock Warrant, issued to Genesis Select Corporation, dated June 6, 2013. | 10-Q | 001-35073 | August 14, 2013 | 4.9 |

| | | | | | |
|------|---|-----|-----------|-------------------|-----|
| 4.12 | Common Stock Unit Warrant Agreement, dated December 16, 2013, by and between Gevo, Inc. and the American Stock Transfer & Trust Company, LLC. | 8-K | 001-35073 | December 16, 2013 | 4.1 |
|------|---|-----|-----------|-------------------|-----|

45

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

| Exhibit Number | Description | Previously Filed | | | Included Exhibit | Herewith |
|----------------|---|------------------|-----------|------------------|------------------|----------|
| | | Form | File No. | Filing Date | | |
| 4.13 | Indenture, dated July 5, 2012, between Gevo, Inc. and Wells Fargo Bank, National Association, as trustee. | 8-K | 001-35073 | July 5, 2012 | 4.1 | |
| 4.14 | First Supplemental Indenture, dated July 5, 2012, to the Indenture dated July 5, 2012, by and among Gevo, Inc. and Wells Fargo Bank, National Association, as trustee. | 8-K | 001-35073 | July 5, 2012 | 4.2 | |
| 4.15† | Indenture, dated June 6, 2014, by and among Gevo, Inc., the guarantors party thereto and Wilmington Savings Fund Society, FSB (for 10% Convertible Senior Secured Notes due 2017). | 8-K | 001-35073 | June 12, 2014 | 4.1 | |
| 4.16 | First Supplemental Indenture, dated July 31, 2014, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and WB Gevo, Ltd., as Requisite Holder. | 8-K | 001-35073 | August 1, 2014 | 4.1 | |
| 4.17 | Second Supplemental Indenture and First Amendment to Pledge and Security Agreement, dated January 28, 2015, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and WB Gevo, Ltd., as Requisite Holder. | 8-K | 001-35073 | January 30, 2015 | 4.1 | |
| 4.18 | Third Supplemental Indenture, dated May 13, 2015, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and WB Gevo, Ltd., as Requisite Holder. | 8-K | 001-35073 | May 15, 2015 | 4.1 | |
| 4.19 | Fourth Supplemental Indenture, dated June 1, 2015, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and WB Gevo, Ltd., as Requisite Holder. | 10-Q | 001-35073 | August 7, 2015 | 4.26 | |

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

- | | | | | | |
|------|---|------|-----------|------------------|------|
| 4.20 | Fifth Supplemental Indenture, dated August 22, 2015, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and WB Gevo, Ltd., as Requisite Holder. | 10-Q | 001-35073 | November 5, 2015 | 4.27 |
| 4.21 | Seventh Supplemental Indenture, dated December 7, 2015, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and WB Gevo, Ltd., as Requisite Holder. | 8-K | 001-35037 | December 9, 2015 | 4.1 |
| 4.22 | Eighth Supplemental Indenture, dated March 28, 2016, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and WB Gevo, Ltd., as Requisite Holder. | 8-K | 001-35037 | March 29, 2016 | 4.1 |

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

| Exhibit Number | Description | Previously Filed Form | File No. | Filing Date | Included Exhibit Herewith |
|----------------|---|-----------------------|-----------|-------------------|---------------------------|
| 4.23 | Ninth Supplemental Indenture, dated September 7, 2016, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and WB Gevo, Ltd., as Requisite Holder. | 8-K | 001-35037 | September 9, 2016 | 4.1 |
| 4.24 | Tenth Supplemental Indenture, dated February 13, 2017, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and WB Gevo, Ltd., as Requisite Holder. | 8-K | 001-35037 | February 16, 2017 | 4.1 |
| 4.25 | Eleventh Supplemental Indenture, dated April 19, 2017, by and among Gevo, Inc., the guarantors party thereto, Wilmington Savings Fund Society, FSB, as trustee and collateral trustee, and WB Gevo, Ltd., as Requisite and Sole Holder. | 8-K | 001-35037 | April 20, 2017 | 4.2 |
| 4.26 | Exchange and Purchase Agreement, dated April 19, 2017, by and among Gevo, Inc., the guarantors party thereto, the holders named in Schedule I thereto, and Whitebox Advisors LLC, in its capacity as representative of the holders. | 8-K | 001-35037 | April 20, 2017 | 4.1 |
| 4.27 | Indenture, dated June 20, 2017, by and among Gevo, Inc., the guarantors party thereto, and Wilmington Savings Fund Society, FSB, as trustee and collateral trustee. | 8-K | 001-35037 | June 20, 2017 | 4.1 |
| 4.28 | Registration Rights Agreement, dated June 20, 2017, by and among Gevo, Inc. and the investors named therein. | 8-K | 001-35037 | June 20, 2017 | 4.2 |
| 4.29 | Common Stock Unit Warrant Agreement, dated August 5, 2014, by and between Gevo, Inc. and the American Stock Transfer & Trust Company, LLC. | 8-K | 001-35073 | August 6, 2014 | 4.1 |
| 4.30 | | 8-K | 001-35073 | | 4.1 |

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

2015 Common Stock Unit Series A Warrant Agreement, dated February 3, 2015, by and between Gevo, Inc. and the American Stock Transfer & Trust Company, LLC. February 4, 2015

| | | | | | | |
|-------|--|-----|-----------|--------------------|------|---|
| 4.31 | 2015 Common Stock Unit Series C Warrant Agreement, dated May 19, 2015 by and between Gevo, Inc. and the American Stock Transfer & Trust Company LLC. | 8-K | 001-35073 | May 20, 2015 | 4.1 | |
| 4.32 | Form of Series D Warrant To Purchase Common Stock. | 8-K | 001-35037 | December 15, 2015 | 4.1 | |
| 4.33 | Form of Amendment No. 1 to Series D Warrant | 8-K | 001-35037 | June 13, 2016 | 4.1 | |
| 4.34 | Form of Series F Warrant To Purchase Common Stock. | 8-K | 001-35037 | April 5, 2016 | 4.1 | |
| 4.35 | Form of Series I Warrant to Purchase Common Stock | 8-K | 001-35037 | September 15, 2016 | 4.1 | |
| 4.36 | Form of Series K Warrant to Purchase Common Stock | 8-K | 001-35037 | February 22, 2017 | 4.1 | |
| 4.37 | Form of Pre-Funded Series L Warrant to Purchase Common Stock | 8-K | 001-35037 | February 22, 2017 | 4.2 | |
| 4.38 | Form of Series M Warrant to Purchase Common Stock | 8-K | 001-35037 | February 22, 2017 | 4.3 | |
| 10.1† | Supply Agreement, effective May 15, 2017, by and between Gevo, Inc. and HCS Holding GmbH | 8-K | 001-35037 | May 4, 2017 | 10.1 | |
| 31.1 | <u>Section 302 Certification of the Chief Executive Officer.</u> | | | | | X |
| 31.2 | <u>Section 302 Certification of the Chief Financial Officer.</u> | | | | | X |

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

| Exhibit Number | Description | Previously Filed | | Included Exhibit | Included Herewith |
|-------------------|---|------------------|----------------|---------------------|----------------------|
| | | File Form No. | Filing Date | | |
| 32.1 | <u>Section 906 Certification of the Chief Executive Officer and Chief Financial Officer.**</u> | | | | X |
| 101 | Financial statements from the Quarterly Report on Form 10-Q of Gevo, Inc. for the quarterly period ended June 30, 2017, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) Notes to the Consolidated Financial Statements. | | | | X |

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Gevo, Inc.

(REGISTRANT)

By: /s/ MICHAEL J. WILLIS

Michael J. Willis

Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: August 3, 2017