

Gevo, Inc.  
Form 10-Q  
May 06, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2013

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)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**87-0747704**  
(I.R.S. Employer  
Identification No.)

**345 Inverness Drive South, Building C, Suite 310**  
**Englewood, CO 80112**  
**(303) 858-8358**

(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

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

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 30, 2013, 44,080,138 shares of the registrant's common stock were outstanding.

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**GEVO, INC.**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****GEVO, INC.****Consolidated Balance Sheets****(in thousands, except share and per share amounts)****(unaudited)**

	March 31, 2013	December 31, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 54,102	\$ 66,744
Accounts receivable	1,036	698
Inventories	4,432	6,659
Prepaid expenses and other current assets	1,705	1,508
Derivative assets	8	271
Total current assets	61,283	75,880
Property, plant and equipment, net	78,132	77,093
Debt issue costs, net	1,403	1,736
Deposits and other assets	1,402	1,402
Total assets	\$ 142,220	\$ 156,111
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,977	\$ 8,244
Current portion of secured debt, net of \$798 and \$856 discount at March 31, 2013 and December 31, 2012, respectively	9,678	8,513
Derivative liabilities	6	12
Total current liabilities	18,661	16,769
Long-term portion of secured debt, net of \$600 and \$784 discount at March 31, 2013 and December 31, 2012, respectively	12,882	15,445
Convertible notes (see Note 7)	22,469	25,554
Other long-term liabilities	512	512
Total liabilities	54,524	58,280
<b>Commitments and Contingencies</b>		
<b>Stockholders Equity</b>		
Preferred stock, \$0.01 par value per share; 5,000,000 shares authorized; none issued and outstanding at March 31, 2013 and December 31, 2012		
Common stock, \$0.01 par value per share; 100,000,000 authorized; 43,966,309 and 39,606,668 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	441	396
Additional paid-in capital	300,972	292,782
Deficit accumulated during development stage	(213,717)	(195,347)

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Total stockholders' equity	87,696	97,831
Total liabilities and stockholders' equity	\$ 142,220	\$ 156,111

**See notes to unaudited consolidated financial statements.**

**Table of Contents****GEVO, INC.****Consolidated Statements of Operations**

(in thousands, except share and per share amounts)

(unaudited)

	Three Months Ended March 31,		From June 9, 2005 (Date of Inception) To March 31, 2013
	2013	2012	
<b>Revenue and cost of goods sold</b>			
Ethanol sales and related products, net	\$	\$ 14,258	\$ 98,415
Corn sales	2,419		3,428
Grant revenue, research and development program revenue and other revenue	1,124	614	8,273
<b>Total revenues</b>	<b>3,543</b>	<b>14,872</b>	<b>110,116</b>
Cost of corn sales	2,455		3,373
Cost of goods sold	2,048	15,010	107,574
Gross loss	(960)	(138)	(831)
<b>Operating expenses</b>			
Research and development	4,976	4,955	81,626
Selling, general and administrative	6,950	13,127	121,256
Other operating expenses			1,248
<b>Total operating expenses</b>	<b>11,926</b>	<b>18,082</b>	<b>204,130</b>
Loss from operations	(12,886)	(18,220)	(204,961)
<b>Other income (expense)</b>			
Interest expense	(3,276)	(1,087)	(18,193)
(Loss) gain from change in fair value of embedded derivative	(1,330)		15,670
Loss on extinguishment of debt	(926)		(926)
Other income	48		832
Change in fair value of warrant liabilities			(2,852)
<b>Total other expense</b>	<b>(5,484)</b>	<b>(1,087)</b>	<b>(5,469)</b>
Net loss	(18,370)	(19,307)	(210,430)
Deemed dividend - amortization of beneficial conversion feature on Series D-1 preferred stock			(3,872)
Net loss attributable to Gevo, Inc. common stockholders	\$ (18,370)	\$ (19,307)	\$ (214,302)
Net loss per share attributable to Gevo, Inc. common stockholders - basic and diluted	\$ (0.45)	\$ (0.74)	
Weighted-average number of common shares outstanding - basic and diluted	40,996,922	26,186,133	

**See notes to unaudited consolidated financial statements.**



**Table of Contents****GEVO, INC.****Consolidated Statements of Cash Flows****(in thousands)****(unaudited)**

	<b>Three Months Ended March 31,</b>		<b>From June 9, 2005</b>
	<b>2013</b>	<b>2012</b>	<b>(Date of Inception)</b>
			<b>Through</b>
			<b>March 31, 2013</b>
<b>Operating Activities</b>			
Net loss	\$ (18,370)	\$ (19,307)	\$ (210,430)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash interest expense	1,898	393	7,186
Loss (gain) from change in fair value of embedded derivative	1,330		(15,670)
Non-cash stock-based compensation	1,087	4,119	27,612
Loss on extinguishment of debt	926		926
Depreciation and amortization	849	788	14,454
Loss (gain) from change in fair value of derivatives	257	(201)	(607)
Loss from change in fair value of warrant liabilities			2,852
Other non-cash expenses			864
Changes in operating assets and liabilities (net of effects of acquisitions):			
Accounts receivable	(338)	(92)	963
Inventories	2,227	(1,640)	(862)
Prepaid expenses and other current assets	(197)	(123)	(230)
Deposits and other assets			(239)
Accounts payable, accrued expenses, and long-term liabilities	1,325	(834)	6,749
Net cash used in operating activities	(9,006)	(16,897)	(166,432)
<b>Investing Activities</b>			
Acquisitions of property, plant and equipment, net	(1,997)	(8,045)	(70,684)
Other		(49)	(700)
Acquisition of Agri-Energy, net of cash assumed			(24,936)
Restricted certificate of deposit			(39)
Net cash used in investing activities	(1,997)	(8,094)	(96,359)

See notes to unaudited consolidated financial statements.



**Table of Contents****GEVO, INC.****Consolidated Statements of Cash Flows - Continued****(in thousands)****(unaudited)**

	<b>Three Months Ended March 31,</b>		<b>From June 9, 2005</b>
	<b>2013</b>	<b>2012</b>	<b>(Date of Inception)</b>
			<b>Through</b>
			<b>March 31, 2013</b>
<b>Financing Activities</b>			
Payments on secured debt	(1,639)	(511)	(20,335)
Proceeds from issuance of secured debt		5,000	41,578
Proceeds from issuance of common stock upon exercise of stock options and ESPP		139	1,117
Deposit on long-term debt and other		(144)	(460)
Debt and equity offering costs		(96)	(13,503)
Proceeds from issuance of common stock			176,579
Proceeds from issuance of convertible preferred stock			86,025
Proceeds from issuance of convertible debt, net			42,300
Proceeds from issuance of convertible promissory notes with warrants			3,000
Proceeds from the exercise of warrants			592
Net cash (used in) provided by financing activities	(1,639)	4,388	316,893
Net (decrease) increase in cash and cash equivalents	(12,642)	(20,603)	54,102
Cash and cash equivalents			
Beginning of period	66,744	94,225	
Ending of period	\$ 54,102	\$ 73,622	\$ 54,102

**See notes to unaudited consolidated financial statements.**

**Table of Contents****GEVO, INC.****Consolidated Statements of Cash Flows - Continued****(in thousands)****(unaudited)**

	<b>Three Months Ended March 31,</b>		<b>From June 9,</b>
	<b>2013</b>	<b>2012</b>	<b>2005</b>
			<b>(Date of Inception)</b>
			<b>Through</b>
			<b>March 31, 2013</b>
<b>Supplemental disclosures of cash and non-cash investing and financing transactions</b>			
Conversion of convertible debt to common stock	\$ 6,665	\$	\$ 6,665
Cash paid for interest, net of interest capitalized	\$ 454	\$ 664	\$ 9,912
Non-cash purchase of property, plant and equipment	\$ 281	\$ 7,950	\$ 281
Issuance of common stock for services	\$ 483	\$	\$ 483
Warrants issued with secured debt	\$	\$ 120	\$ 1,746
Warrants issued with convertible promissory notes	\$	\$	\$ 505
Conversion of preferred stock warrants to common stock warrants upon initial public offering and reclassification of related liability to additional paid-in-capital	\$	\$	\$ 2,063
Deemed dividend amortization of beneficial conversion feature on Series D-1 preferred stock	\$	\$	\$ 3,872
Promissory notes and accrued interest converted to Series C preferred stock	\$	\$	\$ 3,043
Issuance of Series C preferred stock upon exercise of warrant (amount reclassified from liability to equity)	\$	\$	\$ 1,458
Issuance of Series D-1 preferred stock to ICM, Inc. in exchange for a credit against future services	\$	\$	\$ 1,000
Reclassified deferred offering costs to additional paid-in-capital upon initial public offering	\$	\$	\$ 4,296

**See notes to unaudited consolidated financial statements.**

**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements****1. Nature of Business, Financial Condition and Basis of Presentation**

*Nature of Business.* Gevo, Inc. ( Gevo or the Company, which, unless otherwise indicated, refers to Gevo, Inc. and its subsidiaries) is a renewable chemicals and next generation biofuels company focused on the development and commercialization of alternatives to petroleum-based products based on isobutanol produced from renewable feedstocks. Gevo, Inc. was incorporated in Delaware on June 9, 2005 ( Inception ). Gevo, Inc. formed Gevo Development, LLC ( Gevo Development ) on September 18, 2009 to finance and develop biorefineries either through joint venture, licensing arrangements, tolling arrangements or direct acquisition (see Note 9). Gevo Development became a wholly owned subsidiary of the Company on September 22, 2010. Gevo Development purchased Agri-Energy, LLC ( Agri-Energy ) on September 22, 2010. Through May 2012, Agri-Energy, a wholly owned subsidiary of Gevo Development, was engaged in the business of producing and selling ethanol and related products produced at its plant located in Luverne, Minnesota (the Agri-Energy Facility ). The Company commenced the retrofit of the Agri-Energy Facility in 2011 and commenced initial startup operations for the production of isobutanol at this facility in May 2012. In September 2012, the Company made the strategic decision to pause isobutanol production at the Agri-Energy Facility for a period of time while it focuses on optimizing specific parts of its technology to further enhance isobutanol production rates. The Company plans to resume limited isobutanol production at the Agri-Energy Facility in 2013.

At March 31, 2013, the Company is considered to be in the development stage as its primary activities, since Inception, have been conducting research and development, business development, business and financial planning, establishing its facilities including retrofitting the Agri-Energy Facility, initial startup operations for isobutanol production at the Agri-Energy Facility, recruiting personnel and raising capital. Ultimately, the attainment of profitable operations are dependent upon future events, including completion of its development activities resulting in sales of isobutanol or isobutanol-derived products and/or technology, obtaining adequate financing to complete its development activities, obtaining adequate financing to acquire access to and complete the retrofit of ethanol plants to isobutanol production, gaining market acceptance and demand for its products and services, and attracting and retaining qualified personnel.

Until May 24, 2012, when the Company commenced initial startup operations for the production of isobutanol at the Agri-Energy Facility, the Company derived revenue from the sale of ethanol, distiller s grains and other related products produced as part of the ethanol production process at this facility. The production of ethanol is not the Company s intended business and its future profitability depends on its ability to produce and market isobutanol, not on production and sales of ethanol. The historical operating results of Agri-Energy and the operating results reported during the retrofit to isobutanol production, the initial startup of isobutanol production and any period in which the production of isobutanol is temporarily paused and the Company s management determines, based on the then-current economic conditions for the production of ethanol, that the Agri-Energy Facility will be temporarily reverted to ethanol production may not be indicative of future operating results for Agri-Energy or Gevo once commercial isobutanol production commences at this facility. Additionally, because the production of ethanol is not the Company s intended business, the Company will continue to report as a development stage company until it begins to generate significant revenue from the sale of isobutanol or other products that are or become the Company s intended business.

*Financial Condition.* The Company s unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the three months ended March 31, 2013, the Company incurred a consolidated net loss of \$18.4 million and had an accumulated deficit of \$213.7 million. The Company expects to incur future net losses as it continues to fund the development and commercialization of its product candidates.

From Inception to March 31, 2013, the Company has funded its operations primarily through equity offerings, issuances of debt, borrowings under its secured debt financing arrangements and revenues earned primarily from the sale of ethanol and related products. The Company s cash and cash equivalents at March 31, 2013 totaled \$54.1 million which is primarily being used for the following: (1) operating activities at its Agri-Energy Facility; (2) operating activities at its corporate headquarters in Colorado, including research and development work; (3) capital improvements primarily associated with its Agri-Energy Facility; (4) costs associated with optimizing isobutanol production technology; (5) litigation defense costs associated with the ongoing litigation with Butamax; and (6) repayment of debt obligations. Based on the Company s current plans, the Company anticipates capital expenditures necessary to complete the retrofit of the Agri-Energy Facility will be significantly lower than the capital expenditures of \$49.5 million incurred in fiscal year 2012. The Company believes that actions taken during 2012 to reduce ongoing litigation expenses and other operating expenses will reduce 2013 operating expenses from fiscal year 2012 levels.

**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)**

The Company also has the ability to further limit some cash spend associated with the foregoing activities, including limiting the usage of cash associated with research and development activities or delaying the timing of capital improvements, based on then-current facts and circumstances. Notwithstanding the Company's ability to further reduce its monthly cash usage, based on its current level of operations and anticipated growth, the Company believes that its existing cash and cash equivalents on hand at March 31, 2013, will provide sufficient funds for ongoing operations, planned capital expenditures and working capital requirements for at least the next 12 months.

If the Company exceeds its planned capital expenditures as part of optimizing specific parts of its isobutanol production technology at the Agri-Energy Facility, or other cost estimates to prepare for commercial production of isobutanol or derivative products of isobutanol or it exceeds its estimates for ongoing litigation and other operating expenses, the Company may need to raise additional capital. Depending on the timing and amounts of expected future cash flow requirements, the Company expects it will be required to raise such additional capital in 2014, or sooner. Based on current estimates, additional financing will be required for the Company to finance the retrofit of additional production capacity to isobutanol production, including further expansion of the Agri-Energy Facility. There are no assurances that the Company will be able to raise additional funds, or achieve or sustain profitability or positive cash flow from operations.

*Basis of Presentation.* The unaudited consolidated financial statements of the Company (which includes the accounts of its wholly-owned subsidiaries Gevo Development and Agri-Energy) have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States of America (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 March 31, 2013 and for all periods presented. The consolidated statements of operations and cash flows for the three months ended March 31, 2013 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, 2012, as amended (the "Annual Report").

**2. Earnings per Share**

Basic net loss per share is computed by dividing the net loss attributable to Gevo, Inc. common stockholders for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share ("EPS") includes the dilutive effect of common stock equivalents and is computed using the weighted-average number of common stock and common stock equivalents outstanding during the reporting period. Diluted EPS for the three months ended March 31, 2013 and 2012 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 at March 31, 2013 and 2012 that could potentially dilute the calculation of diluted earnings per share.

	March 31,	
	2013	2012
Convertible debt	6,287,090	
Outstanding options to purchase common stock	3,319,450	3,501,805
Warrants to purchase common stock	1,229,998	1,229,998
Unvested restricted common stock	1,113,310	508,214
<b>Total</b>	<b>11,949,848</b>	<b>5,240,017</b>

**Table of Contents****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).

	March 31, 2013	December 31, 2012
Raw materials		
Corn	\$ 2,061	\$ 4,174
Enzymes and other inputs	755	656
Finished goods	238	85
Work in process	372	648
Spare parts	1,006	1,096
<b>Total inventories</b>	<b>\$ 4,432</b>	<b>\$ 6,659</b>

Included in cost of goods sold is depreciation of \$0.5 million during each of the three months ended March 31, 2013 and 2012. Depreciation expense included in cost of goods sold from Inception to March 31, 2013 was \$5.2 million.

**4. Property, Plant and Equipment**

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

	Useful Life	March 31, 2013	December 31, 2012
Construction in progress		\$ 58,503	\$ 57,185
Plant machinery and equipment	10 years	11,030	11,030
Site improvements	10 years	7,007	7,007
Lab equipment, furniture and fixtures and vehicles	5 years	6,111	5,553
Demonstration plant	2 years	3,597	3,597
Buildings	10 years	2,543	2,543
Computer, office equipment and software	3 years	1,412	1,411
Leasehold improvements, pilot plant, land and support equipment	0 - 5 years	2,080	2,069
<b>Total property, plant and equipment</b>		<b>92,283</b>	<b>90,395</b>
Less accumulated depreciation and amortization		(14,151)	(13,302)
<b>Property, plant and equipment, net</b>		<b>\$ 78,132</b>	<b>\$ 77,093</b>

Construction in progress includes \$57.9 million and \$56.1 million at March 31, 2013 and December 31, 2012, respectively, related to the retrofit of the Agri-Energy Facility to isobutanol production.

During the three months ended March 31, 2012, the Company capitalized interest on its secured debt associated with its qualifying assets, which primarily related to the retrofit of the Agri-Energy Facility that was actively being developed. As a result, the Company capitalized \$0.3 million of interest incurred during the three months ended March 31, 2012 and \$1.3 million during the period from Inception to March 31, 2013.



**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****5. Derivative Instruments*****Forward Purchase and Exchange-Traded Futures Contracts***

Since the acquisition of Agri-Energy on September 22, 2010, the Company's activities expose it to a variety of market risks, including the effects of changes in commodity prices for corn. These financial exposures are monitored and managed by the Company through derivative instruments, including forward purchase contracts and exchange traded futures contracts, as an integral part of its overall risk management program. The Company's risk management program focuses on the unpredictability of financial and commodities markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results.

The Company generally follows a policy of using exchange-traded futures contracts as a means of managing exposure to changes in corn prices. Exchange-traded futures contracts are valued at fair value and were recorded as a derivative asset at March 31, 2013 and December 31, 2012 in the consolidated balance sheets and changes in fair value are recorded in cost of goods sold in the consolidated statements of operations.

Forward purchase contracts are recorded at fair value unless a company elects to use the normal purchases and normal sales scope exception guidance of GAAP. To qualify for the normal purchases and normal sales scope exception, a contract must be appropriately designated and must provide for the purchase or sale of physical commodities in quantities that are expected to be used or sold over a reasonable period of time in the normal course of operations. During the three months ended March 31, 2013 and 2012, the Company did not elect the normal purchase and normal sales scope exception to its forward purchase contracts. Accordingly, changes in the fair value of these contracts during the three months ended March 31, 2013 and 2012 have been recorded in cost of goods sold in the consolidated statements of operations. At March 31, 2013, these contracts were recorded at their fair value which has been included as a component of derivative liability in the consolidated balance sheets.

The foregoing derivatives do not include any credit risk related contingent features, the Company has not entered into these derivative financial instruments for trading or speculative purposes, and it has not designated any of its derivatives as hedges for financial accounting purposes. At March 31, 2013 and December 31, 2012, the Company had \$0.4 million and \$0.1 million, respectively, held in a margin deposit account for its exchange-traded futures contracts.

The following table summarizes the realized and unrealized gain / (loss) of the Company's derivative instruments (in thousands).

	<b>Three Months Ended March 31,</b>		<b>Inception to</b>
	<b>2013</b>	<b>2012</b>	<b>March 31, 2013</b>
<b>Realized Gain / (Loss)</b>			
Exchange-traded futures contracts	\$ 249	\$ 39	\$ (628)
<b>Unrealized Gain / (Loss)</b>			
Exchange-traded futures contracts	(276)	248	643
Forward purchase contracts	20	(47)	(35)

The following table represents the Company's net short positions of derivative instruments held (in thousands).

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
<b>Year of Expiration</b>	<b>Corn Net</b>	<b>Corn Net</b>
	<b>Short</b>	<b>Short</b>
	<b>Position Bushels</b>	<b>Position</b>
		<b>Bushels</b>
2013	290	683

***Convertible Notes***

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In July 2012, the Company issued 7.5% convertible senior notes due 2022 (the Convertible 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 Convertible Notes (the Indenture )); and (ii) a Coupon Make-Whole Payment (as defined in the Indenture) in the event of a conversion by the holders of the Convertible Notes on or after January 1, 2013 but prior to July 1, 2017. Embedded derivatives are separated from the host contract, the Convertible 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 Convertible Notes meet these criteria and, as such, must be valued separate and apart from the Convertible Notes and recorded at fair value each reporting period.



**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)**

The Company combines these embedded derivatives and values them together as one unit of accounting. At each reporting period, the Company records these embedded derivatives at fair value which is included as a component of the Convertible Notes on the consolidated balance sheets.

The Company used a binomial lattice model in order to estimate the fair value of these embedded derivatives in the Convertible Notes. A binomial lattice model generates two probable outcomes one up and another 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 Convertible Notes would be converted, called or held at each decision point. Within the lattice model, the following assumptions are made: (i) the Convertible Notes will be converted early if the conversion value is greater than the holding value; or (ii) the Convertible Notes will be called if the holding value is greater than both (a) the Redemption Price (as defined in the Indenture) and (b) the conversion value plus the Coupon Make-Whole Payment at the time. If the Convertible 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 Convertible Notes.

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

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

	March 31, 2013	December 31, 2012
Stock price	\$ 2.24	\$ 1.54
Conversion Rate	175.6697	175.6697
Conversion Price	\$ 5.69	\$ 5.69
Maturity date	July 1, 2022	July 1, 2022
Risk-free interest rate	1.7%	1.7%
Estimated stock volatility	79%	79%
Estimated credit spread	33%	37%

Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the embedded derivative. The following table sets forth the value of the Convertible Notes with and without the embedded derivative, and the fair value of the embedded derivative as of March 31, 2013 and December 31, 2012 (in thousands).

	March 31, 2013	December 31, 2012
Fair value of Convertible Notes:		
With the embedded derivative	\$ 24,953	\$ 26,000
Without the embedded derivative	15,039	15,000
Estimated fair value of the embedded derivative	\$ 9,914	\$ 11,000

The decrease in the estimated fair value of the embedded derivative between December 31, 2012 and March 31, 2013 is the result of the conversion of \$9.2 million in principal amount of debt which resulted in a \$2.4 million reduction in the carrying value of the embedded derivative. This reduction was partially offset by a \$1.3 million increase in the estimated fair value of the derivative outstanding at March 31, 2013. The change in estimated fair value of the embedded derivative during the three months ended March 31, 2013 represents an unrealized loss and is included in (loss) gain from change in fair value of embedded derivative in the consolidated statement of operations.



**Table of Contents****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 at March 31, 2013 and December 31, 2012 (in thousands).

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Accrued legal-related expenses	\$ 2,596	\$ 2,757
Accrued employee compensation	1,473	1,109
Accounts payable - trade	1,370	1,211
Deferred revenue	1,196	1,000
Other accrued liabilities	2,342	2,167
 Total accounts payable and accrued liabilities	 \$ 8,977	 \$ 8,244

**7. Secured Debt and Convertible Notes***Secured Debt*

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

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
Secured debt		
TriplePoint - Matures September 2014	\$ 10,674	\$ 11,643
TriplePoint - Matures October 2015	8,806	9,266
TriplePoint - Matures December 2015	4,478	4,689
 Total secured debt	 23,958	 25,598
Less:		
Unamortized debt discounts	(1,398)	(1,640)
 Total secured debt net of debt discounts	 22,560	 23,958
Less current portion of secured debt	(9,678)	(8,513)
 Long-term portion of secured debt	 \$ 12,882	 \$ 15,445

*TriplePoint*

*Gevo Loan Agreement.* In August 2010, concurrent with the execution of the agreement to acquire Agri-Energy, Gevo, Inc. entered into a loan and security agreement with TriplePoint (the Gevo Loan Agreement ), pursuant to which the Company borrowed \$5.0 million. Under the terms of each of (i) the Gevo Loan Agreement and (ii) Gevo, Inc.'s guarantee of Agri-Energy's obligations under the Original Agri-Energy Loan Agreement described below, the Company is prohibited from granting a security interest in its intellectual property assets to any other entity until both TriplePoint loans are paid in full. In July 2012, the Company used \$5.4 million of the proceeds from its Convertible Note offering that

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was completed in July 2012 to pay in full all amounts outstanding under the Gevo Loan Agreement, including an end-of-term payment equal to 8% of the amount borrowed.

*Original Agri-Energy Loan Agreement.* In August 2010, Gevo Development borrowed \$12.5 million from TriplePoint to finance its acquisition of Agri-Energy. In September 2010, upon completion of the acquisition, the loan and security agreement was amended to make Agri-Energy the borrower under the facility. This loan and security agreement (the Original Agri-Energy Loan Agreement ) includes customary affirmative and negative covenants for agreements of this type and events of default. The aggregate amount outstanding under the Original Agri-Energy Loan Agreement bears interest at a rate equal to 13% and is subject to an end-of-term payment equal to 8% of the amount borrowed. The loan is secured by the equity interests of Agri-Energy held by Gevo Development and substantially all the assets of Agri-Energy. The loan matures on September 1, 2014. The loan is guaranteed by Gevo, Inc. pursuant to a continuing guaranty executed by Gevo, Inc. in favor of TriplePoint, which is secured by substantially all of the assets of Gevo, Inc., other than its intellectual property.

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**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)**

*Amended Agri-Energy Loan Agreement.* In October 2011, Agri-Energy entered into the Amended Agri-Energy Loan Agreement with TriplePoint which amends and restates the Original Agri-Energy Loan Agreement. The Amended Agri-Energy Loan Agreement includes customary affirmative and negative covenants for agreements of this type and events of default. The Amended Agri-Energy Loan Agreement provides Agri-Energy with additional term loan facilities of up to \$15.0 million (the *New Loan*) (which amount is in addition to the existing \$12.5 million term loan (the *Existing Loan*) provided under the Original Agri-Energy Loan Agreement, which Existing Loan remains in place under the Amended Agri-Energy Loan Agreement), the proceeds of which were used to pay a portion of the costs, expenses, and other amounts associated with the retrofit of the Agri-Energy Facility to produce isobutanol. The aggregate amount outstanding under the New Loan bears interest at a rate of 11% and is subject to an end-of-term payment equal to 5.75% of the amount borrowed.

On October 20, 2011, Agri-Energy borrowed a portion of the New Loan in the amount of \$10.0 million under the Amended Agri-Energy Loan Agreement that matures on October 31, 2015. On January 6, 2012, Agri-Energy borrowed an additional \$5.0 million under the Amended Agri-Energy Loan Agreement that matures on December 31, 2015, bringing the total borrowed under the New Loan at March 31, 2013 to \$15.0 million. At March 31, 2013, the Company was in compliance with the debt covenants under the Amended Agri-Energy Loan Agreement.

The Amended Agri-Energy Loan Agreement provides that Agri-Energy will secure all of its obligations under the Amended Agri-Energy Loan Agreement and any other loan documents by granting to TriplePoint a security interest in and lien upon all or substantially all of its assets. Gevo, Inc. has guaranteed Agri-Energy's obligations under the Amended Agri-Energy Loan Agreement. As additional security, concurrently with the execution of the Amended Agri-Energy Loan Agreement, (i) Gevo Development entered into a limited recourse continuing guaranty in favor of TriplePoint, (ii) Gevo Development entered into an amended and restated limited recourse membership interest pledge agreement in favor of TriplePoint, pursuant to which it pledged the membership interests of Agri-Energy as collateral to secure the obligations under its guaranty and (iii) Gevo, Inc. entered into an amendment to its security agreement with TriplePoint (the *Gevo Security Agreement*), which secures its guarantee of Agri-Energy's obligations (including up to \$32.5 million in term loans) under the Amended Agri-Energy Loan Agreement.

*June Amendments.* In June 2012, Gevo, Inc. entered into (i) an amendment (the *Security Agreement Amendment*) to the Gevo Security Agreement and (ii) an amendment (the *Gevo Loan Amendment*) to the Gevo Loan Agreement. In addition, concurrently with the execution of the Security Agreement Amendment and the Gevo Loan Amendment, Agri-Energy entered into an amendment to the Amended Agri-Energy Loan Agreement.

These amendments, among other things: (i) permitted the issuance of the Convertible Notes; (ii) removed Agri-Energy's and the Company's options to elect additional interest-only periods upon the achievement of certain milestones (iii) permit Agri-Energy to make dividend payments and distributions to the Company for certain defined purposes related to the Convertible Notes; (iv) add as an event of default the payment, repurchase or redemption of the Convertible Notes or of amounts payable in connection therewith other than certain permitted payments related to the Convertible Notes; (v) add a negative covenant whereby the Company may not incur any indebtedness other than as permitted under the Security Agreement Amendment; and (vi) add a prohibition on making any Coupon Make-Whole Payments in cash prior to the payment in full of all remaining outstanding obligations under the Amended Agri-Energy Loan Agreement.

**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****Convertible Notes**

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

	<b>Embedded Derivatives</b>	<b>Convertible Notes</b>	<b>Debt Discount</b>	<b>Total</b>
Balance - December 31, 2012	\$ 11,000	\$ 45,000	\$ (30,446)	\$ 25,554
Amortization of debt discount			1,576	1,576
Write-off of debt discount associated with conversion of debt			5,635	5,635
Change in fair value of embedded derivatives	1,330			1,330
Conversion	(2,416)	(9,210)		(11,626)
Balance - March 31, 2013	\$ 9,914	\$ 35,790	\$ (23,235)	\$ 22,469

In July 2012, the Company sold \$45.0 million in aggregate principal amount of Convertible Notes, with net proceeds of \$40.9 million, after accounting for \$2.7 million and \$1.4 million of discounts and issue costs, respectively. The Convertible 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. The Convertible Notes will mature on July 1, 2022, unless earlier repurchased, redeemed or converted. During the three months ended March 31, 2013, the Company recorded \$1.6 million of expense related to the amortization of debt discounts and issue costs and recorded \$0.7 million of interest expense related to the Convertible Notes. The amortization of debt issue costs and debt discounts and cash interest are included as a component of interest expense in the consolidated statements of operations. The Company amortizes debt discounts and debt issue costs associated with the Convertible Notes using an effective interest rate of 43% 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 Convertible Notes.

The Convertible Notes are convertible at an initial Conversion Rate of 175.6697 shares of the Company's common stock per \$1,000 principal amount of Convertible Notes, subject to adjustment in certain circumstances as described in the Indenture. This is equivalent to an initial Conversion Price of approximately \$5.69 per share of common stock. Holders may convert the Convertible 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 Convertible Notes on or after January 1, 2013 but 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 lesser of: (a) eight semi-annual interest payments; or (b) the number of semi-annual interest payments that would have been payable on the Convertible Notes that a holder has elected to convert from the last day through which interest was paid, or the issue date if no interest has been 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. During the three months ended March 31, 2013, certain holders of the Convertible Notes elected to convert bonds totaling \$9.2 million, reducing the principal balance of the Convertible Notes to \$35.8 million. Upon conversion, the Convertible Note holders received 1,617,910 shares of common stock in payment of converted principal of \$9.2 million and, pursuant to the terms of the Indenture, such holders also received 1,540,451 shares of common stock in settlement of Coupon Make-Whole Payments (as defined in the Indenture) of \$2.7 million.

If a Make-Whole Fundamental Change (as defined in the Indenture) occurs and a holder elects to convert its Convertible 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 202.0202 per \$1,000 principal amount of Convertible Notes.

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If a Fundamental Change (as defined in the Indenture) occurs, at any time, then each holder will have the right to require the Company to repurchase all of such holder's Convertible 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 Convertible Notes plus any accrued and unpaid interest thereon through, but excluding, the repurchase date. Additionally, on July 1, 2017, each holder will have the right to require the Company to repurchase all of such holder's Convertible 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 Convertible Notes plus any accrued and unpaid interest thereon through, but excluding, the repurchase date.

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**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)**

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

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

**8. Significant Agreements*****Off-Take, Distribution and Marketing Agreements***

*International Off-Take and Distribution Agreement with Sasol.* On July 29, 2011, the Company and Sasol Chemical Industries Limited ( *Sasol* ) entered into an international off-take agreement to market and distribute renewable isobutanol globally. The agreement has an initial term of three years and appoints Sasol as a non-exclusive distributor of high-purity isobutanol in North and South America and as the exclusive distributor for high-purity isobutanol for solvent and chemical intermediate applications in the rest of the world. Beginning upon the Company's first commercial sale of high-purity isobutanol under the terms of the agreement, if Sasol desires to maintain its exclusive distribution rights, Sasol is obligated to either purchase certain minimum quantities of high-purity isobutanol or pay the Company applicable shortfall fees and the Company is obligated to either supply Sasol with certain minimum quantities of high-purity isobutanol or pay Sasol applicable shortfall fees. No amounts have been recorded under this agreement as of March 31, 2013.

*Exclusive Supply Agreement with LANXESS.* On January 14, 2011, the Company entered into an exclusive supply agreement, as amended, with LANXESS Inc. ( *LANXESS* ) pursuant to which LANXESS has granted the Company an exclusive first right to supply LANXESS and its affiliates with certain of their requirements for biobased isobutanol during the term of the agreement. The Company's exclusive first right to supply biobased isobutanol to LANXESS and its affiliates will be subject to the terms of a supply agreement to be mutually agreed upon by the parties at a later date. Additionally, pursuant to the terms of the exclusive supply agreement the Company has granted LANXESS, subject to certain exceptions and conditions, (a) an exclusive first right to acquire its biobased isobutanol to produce isobutylene and butenes for use and sale in the field of chemicals, and (b) an exclusive right to use the Company's isobutanol to produce butadiene and isobutylene for use in the production of polybutadiene and butyl rubber. The initial term of the mutual exclusivity is ten years, subject to mutual extension. No amounts have been incurred under this agreement as of March 31, 2013.

*Off-Take and Marketing Alliance Agreement and Renewable Fuels Supply Chain Agreement with Mansfield Oil Company.* On August 12, 2011, the Company entered into a commercial off-take agreement with Mansfield Oil Company ( *Mansfield* ), to distribute isobutanol-based fuel into the petroleum market. The agreement allows Mansfield to blend the Company's isobutanol for its own use, and to be a distributor of the Company's isobutanol for a term of five years. The Company also entered into a three-year supply services agreement with C&N, a Mansfield subsidiary, which will provide supply chain services including logistics management, customer service support, invoicing and billing services. No amounts have been recorded under these agreements as of March 31, 2013.

*Ethanol Marketing Agreement with C&N, a subsidiary of Mansfield Oil Company.* Substantially all ethanol sold through Agri-Energy from the date of acquisition through December 31, 2012 was sold to C&N pursuant to an ethanol purchase and marketing agreement. The Company has not sold any ethanol in the three months ended March 31, 2013. The ethanol purchase and marketing agreement with C&N was entered into on April 1, 2009 and automatically renews for subsequent one-year terms unless either party terminates the agreement 60 days before the end of a term. Under the terms of the agreement, C&N will market substantially all of Agri-Energy's ethanol production from the Agri-Energy Facility and will pay to Agri-Energy the gross sales price paid by the end customer less expenses and a marketing fee.





**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)**

*Jet Fuel Supply Agreement with the Defense Logistics Agency (U.S. Air Force).* During September 2011, the Company was awarded a contract for the procurement of up to 11,000 gallons of alcohol-to-jet (ATJ) fuel for the purposes of certification and testing by the U.S. Air Force. The term of the agreement was through December 30, 2012. In September 2012, the Company was awarded an additional contract for the procurement of up to 45,000 gallons of biojet fuel for delivery by October 31, 2013. Revenue was recognized upon shipment of product to the U.S. Air Force which is when transfer of risk of loss and title occurred. During the three months ended March 31, 2013 and 2012, the Company recorded \$0.4 million and \$0.2 million, respectively, of revenue under these contracts.

***Commercialization and Development Agreements***

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

Under the terms of the development agreement, the Company performed commercial-scale isobutanol production trials in ICM's research plant and facility in St. Joseph, Missouri, the demonstration plant. The Company was required to pay for or reimburse ICM for engineering fees, equipment, plant modification costs, project fees and various operating expenses. In December 2011, the development agreement was amended to extend the term indefinitely. The development agreement, as amended, may be cancelled by either party with 30 days' prior written notice. The Company did not incur any operating expenses or capital expenditures relating to the demonstration plant during the three months ended March 31, 2013 or 2012.

The commercialization agreement, which was amended and restated on August 11, 2011, is effective through October 15, 2018, and outlines the terms and fees under which ICM acts as the Company's exclusive provider of certain engineering and construction services. Also, under the commercialization agreement, the Company is ICM's exclusive technology partner for the production of butanols, pentanols and propanols from the fermentation of sugars.

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

*Joint Research, Development, License and Commercialization Agreement with The Coca-Cola Company.* During November 2011, the Company entered into a joint research, development, license and commercialization agreement with The Coca-Cola Company ( Coca-Cola ). During the first two years of the agreement, Coca-Cola will pay the Company a fixed price fee for a research program outlined in the agreement. The Company recognizes these fees as revenue over the performance period. The payments received are not refundable. During each of the three months ended March 31, 2013 and 2012, the Company recognized \$0.3 million of revenue under this agreement.

***License Agreement***

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

The license agreement contains five milestone payments totaling approximately \$4.3 million that are payable by the Company after each milestone is completed. During 2009, two milestones were completed and the Company recorded the related milestone amounts, along with an up-front signing fee, totaling \$0.9 million, to research and development expense. During March 2010, the Company completed milestone number three and recorded the related milestone amount of \$2.0 million to research and development expense at its then-current present value of \$1.6 million because the milestone payment was paid over a period greater than 12 months from the date that it was incurred. As of December 2012, the Company had not completed milestone number four. However, under the terms of the agreement, the Company was entitled to pay a \$0.5 million license fee in lieu of completing milestone number four. This fee was paid in March 2013 through the issuance of 250,000 shares of the Company's common stock to Cargill. The Company had accrued the \$0.5 million license fee as of December 31, 2012 and included the expense as a component of research and development expense in its consolidated statement of operations. Milestone number five included in the license agreement representing potential payments of up to \$1.0 million, which is due by December 2015, has not been met as of March 31,

2013 and no amount has been recorded as a liability for this milestone.

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**GEVO, INC.**

**Notes to Unaudited Consolidated Financial Statements (Continued)**

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

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

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

***Other***

In June 2011, the Company announced that it had successfully produced fully renewable and recyclable polyethylene terephthalate ( PET ) in cooperation with Toray Industries, Inc. ( Toray Industries ). Working directly with Toray Industries, the Company employed prototypes of commercial operations from the petrochemical and refining industries to make para-xylene ( PX ) from isobutanol. Toray Industries used the Company's bio-PX and commercially available renewable mono ethylene glycol to produce fully renewable PET films and fibers. On June 1, 2012, the Company entered into a definitive agreement with Toray Industries for the joint development of an integrated supply chain for the production of bio-PET. Pursuant to the terms of the agreement with Toray Industries, the Company received \$1.0 million which shall be used by the Company for the design, construction and/or operation of a pilot plant. The Company anticipates producing bio-based PX at the pilot plant, some of which will be sold to Toray Industries. Toray Industries is obligated to purchase initial volumes of bio-PX. Any excess bio-PX that is produced can be sold to third parties. In the event that the Company is unable to produce and deliver a minimum quantity of bio-PX to Toray Industries by December 31, 2013, the Company will be required to refund the \$1.0 million by January 31, 2014. The Company has included the \$1.0 million as a component of accounts payable and accrued liabilities in its consolidated balance sheets.

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

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

**9. Gevo Development**

Gevo, Inc. formed Gevo Development on September 18, 2009 to finance and develop biorefineries through joint venture, tolling arrangements or direct acquisition. Biorefinery plants accessed through Gevo Development are intended to be retrofitted using Gevo, Inc.'s integrated fermentation technology to produce isobutanol.

Gevo, Inc. currently owns 100% of the outstanding equity interests of Gevo Development as a wholly owned subsidiary. Gevo Development has two classes of membership interests outstanding. Gevo, Inc. is the sole owner of the class A interests. Prior to September 22, 2010, CDP Gevo, LLC ( CDP ), was the sole owner of the class B interests, which comprise 10% of the outstanding equity interests of Gevo Development. In September 2010, Gevo, Inc. became the sole owner of Gevo Development by acquiring 100% of the class B interests in Gevo Development from CDP pursuant to an equity purchase agreement. In exchange for the class B interests, CDP received aggregate consideration of \$1.1 million.

The original issuance of the class B interests was considered to be a grant of non-employee stock-based compensation. As vesting of the awards was dependent on counterparty performance conditions (the acquisition and retrofit of a biorefinery plant), no compensation expense had been recorded prior to September 22, 2010 because the lowest aggregate fair value of the awards was zero. Upon the purchase of the class B interests

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on September 22, 2010, the Company recorded stock-based compensation of \$0.8 million, which reflected the amount paid during 2010 for the class B interests that was not dependent on counterparty performance. The final payment of \$0.1 million made in January 2012 was dependent on the continued employment of the two co-managing directors of Gevo Development. The employment of the co-managing directors was terminated effective March 23, 2012 (as discussed in more detail below).

**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)**

Gevo, Inc. made capital contributions to Gevo Development of \$3.0 million and \$0.2 million, respectively, during the three months ended March 31, 2013 and 2012, respectively. From Inception to March 31, 2013, Gevo, Inc. has made capital contributions of \$82.8 million to Gevo Development.

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

	<b>Three Months Ended March 31,</b>		<b>Inception To</b>
	<b>2013</b>	<b>2012</b>	<b>March 31, 2013</b>
Gevo Development Net Loss	\$ (3,490)	\$ (1,810)	\$ (23,109)

In connection with the formation of Gevo Development in September 2009, the Company granted CDP a warrant to purchase 858,000 shares of the Company's common stock. The warrant has an exercise price of \$2.70 per share which represented the estimated fair value of Gevo, Inc.'s common stock on the date of grant. The warrant expires in September 2016, unless terminated earlier as provided in the agreement.

On September 22, 2010, the beneficial owners of the equity interests of CDP became employees of Gevo, Inc. and the warrant agreement was amended and restated to provide that 50% of the warrant shares granted under such warrant agreement would vest on September 22, 2010. The remaining warrant shares were to vest over a two-year period beginning on September 22, 2010, subject to acceleration and termination in certain circumstances. The Company valued the warrant shares at \$14.0 million. Effective March 23, 2012, the employment of the beneficial owners of CDP was terminated. Pursuant to the terms of the warrant agreement, all unvested warrant shares became immediately vested and, as such, the Company recorded \$2.6 million of stock-based compensation expense during the three months ended March 31, 2012.

Since its formation, Gevo Development has been and continues to be considered a variable interest entity. Gevo, Inc., the primary beneficiary of Gevo Development, has both (i) the power to direct the activities of Gevo Development that most significantly impact Gevo Development's economic performance and (ii) the obligation to absorb losses of Gevo Development that could potentially be significant to Gevo Development or the right to receive benefits from Gevo Development that could potentially be significant to Gevo Development. As such, Gevo Development is consolidated. The accounts of Agri-Energy are consolidated within Gevo Development as a wholly owned subsidiary. As of March 31, 2013 and December 31, 2012, Gevo Development does not have any assets that can be used only to settle obligations of Gevo Development. However, under the terms of the Amended Agri-Energy Loan Agreement with TriplePoint, as amended, subject to certain limited exceptions, Agri-Energy is only permitted to pay dividends if all principal balances due to TriplePoint have been paid. No gain or loss was recognized by the Company upon the initial consolidation of Gevo Development.

**10. Redfield Energy, LLC**

On June 15, 2011, Gevo Development entered into an isobutanol joint venture agreement (the "Joint Venture Agreement") with Redfield Energy, LLC, a South Dakota limited liability company ("Redfield"), and executed the second amended and restated operating agreement of Redfield (together with the Joint Venture Agreement, the "Joint Venture Documents"). Under the terms of the Joint Venture Documents, Gevo Development and Redfield have agreed to work together to retrofit Redfield's approximately 50 million gallon per year ethanol production facility located near Redfield, South Dakota (the "Redfield Facility") for the commercial production of isobutanol. Under the terms of the Joint Venture Agreement, Redfield has issued 100 Class G membership units in Redfield (the "Class G Units") to Gevo Development. Gevo Development is the sole holder of Class G units, which entitle Gevo Development to certain information and governance rights with respect to Redfield, including the right to appoint two members of Redfield's 11-member board of managers. The Class G units currently carry no interest in the allocation of profits, losses or other distributions of Redfield and no voting rights. Such rights will vest upon the commencement of commercial isobutanol production at the Redfield Facility, at which time Gevo Development anticipates consolidating Redfield's operations because Gevo anticipates it will control the activities that are most significant to the entity.



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**GEVO, INC.**

**Notes to Unaudited Consolidated Financial Statements (Continued)**

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

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

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

Gevo, Inc. entered into a guaranty effective as of June 15, 2011, pursuant to which it has unconditionally and irrevocably guaranteed the payment by Gevo Development of any and all amounts owed by Gevo Development pursuant to the terms and conditions of the Joint Venture Agreement and certain other agreements that Gevo Development and Redfield expect to enter into in connection with the retrofit of the Redfield Facility.

The Company has undertaken the preliminary project engineering and permitting process for the Redfield Facility retrofit. As of March 31, 2013, the Company has incurred \$0.4 million in costs for the future retrofit of the Redfield Facility which have been recorded on the Company's consolidated balance sheets in deposits and other assets.



**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****11. Stock-Based Compensation**

The Company records expense during the vesting period for share-based payment awards granted to employees and non-employees. The following table sets forth the Company's stock-based compensation expense (in thousands) for the periods indicated.

	Three Months Ended March 31,		Inception To
	2013	2012	March 31, 2013
Stock options and ESPP shares issued			
Research and development	\$ 165	\$ 180	\$ 2,642
Selling, general and administrative	622	566	7,891
Restricted stock issued			
Research and development		481	802
Selling, general and administrative	300	276	2,322
Warrant issued to CDP			
Selling, general and administrative		2,616	13,955
Non-cash stock-based compensation	1,087	4,119	27,612
Modified stock option awards			
Selling, general and administrative		659	1,500
Purchase of Class B interests of Gevo Development from CDP for cash			
Selling, general and administrative		74	1,144
Cash stock-based compensation		733	2,644
Total stock-based compensation	\$ 1,087	\$ 4,852	\$ 30,256

**12. Stockholders' Equity**

The Company currently grants share-based payment awards under the Gevo, Inc. 2010 Stock Incentive Plan ( "2010 Plan" ) which was approved by its stockholders in February 2011. As of March 31, 2013, the Company has reserved 2,571,286 shares of common stock for issuance under the 2010 Plan. On March 15, 2013, the Company's Board of Directors approved, subject to stockholder approval, an amendment to the 2010 Plan to increase the number of shares reserved for issuance under the 2010 Plan from 2,571,286 to 5,571,286 shares. As of March 31, 2013 and December 31, 2012, there were 10,596 shares and 1,340,974 shares available for grant under the 2010 Plan, respectively.

During the three months ended March 31, 2013, the Company issued 3,158,361 shares as a result of the conversion of Convertible Notes and settlement of Coupon Make-Whole Payments (see Note 7), 951,280 shares of restricted stock granted to employees and 250,000 shares of common issued to Cargill (see Note 8).

**13. Commitments and Contingencies**

*Legal Matters.* On January 14, 2011, Butamax Advanced Biofuels LLC ( "Butamax" ), a joint venture between BP p.l.c. ( "BP" ) and E.I. du Pont de Nemours and Company ( "DuPont" ), filed a complaint (the "Complaint" ) in the United States District Court for the District of Delaware, as Case No. 1:11-cv-00054-SLR, alleging that the Company is infringing one or more claims made in U.S. Patent No. 7,851,188 (the "188 Patent" ), entitled "Fermentive Production of Four Carbon Alcohols." The 188 Patent, which has been assigned to Butamax, claims certain recombinant microbial host cells that produce isobutanol and methods for the production of isobutanol using such host cells. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses. On March 25, 2011, the Company filed a response to the

Complaint, denying Butamax's allegations of infringement and raising affirmative defenses.

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**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)**

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

On September 13, 2011, the Company filed an answer to the Amended Complaint in which it asserted counterclaims against Butamax and DuPont for infringement of U.S. Patent No. 8,017,375, entitled Yeast Organism Producing Isobutanol at a High Yield and U.S. Patent No. 8,017,376, entitled Methods of Increasing Dihydroxy Acid Dehydratase Activity to Improve Production of Fuels, Chemicals, and Amino Acids, both of which were recently awarded to the Company by the United States Patent and Trademark Office. The counterclaim seeks a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses. These counterclaims have been set for trial in August 2013.

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

On January 24, 2012, the Company filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-00070-SLR, alleging that Butamax and DuPont are infringing one or more claims made in U.S. Patent No. 8,101,808 (the 808 Patent ) entitled Recovery of Higher Alcohols from Dilute Aqueous Solutions. The 808 Patent claims methods to produce a C3-C6 alcohol for example, isobutanol through fermentation and to recover that alcohol from the fermentation medium. The Company is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses.

On March 12, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-00298-SLR, alleging that the Company is infringing one or more claims made in U.S. Patent No. 8,129,162, entitled Ketol-Acid Reductoisomerase Using NADH. This complaint is in addition to the Amended Complaint discussed above. Butamax is seeking a declaratory judgment, injunctive relief, damages, interest, costs and expenses, including attorney's fees. The Company believes that it has meritorious defenses to these claims and intends to vigorously defend this lawsuit.

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

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

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

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

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

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Alcohols. Butamax is seeking a declaratory judgment, injunctive relief, damages, interest, costs and expenses, including attorney's fees. The Company believes that it has meritorious defenses to these claims and intends to vigorously defend this lawsuit.

**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)**

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

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

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

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

On August 6, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-01014-SLR, alleging that the Company is infringing U.S. Patent No. 8,222,017, entitled Ketol-Acid Reductoisomerase Using NADH. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses. On January 22, 2013, discovery in this case was consolidated with Case Nos. 1:12-cv-00070-SLR, 1:12-cv-00298-SLR, 1:12-cv-00301-SLR, 1:12-cv-00448-SLR, and 1:12-cv-00602-SLR.

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

On August 14, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-01036-SLR, alleging that the Company is infringing the 878 Patent. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses.

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

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On September 25, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-01200-SLR, alleging that the Company is infringing U.S. Patent No. 8,273,558, entitled Fermentive Production of Four Carbon Alcohols. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses.

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**GEVO, INC.**

**Notes to Unaudited Consolidated Financial Statements (Continued)**

On October 8, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-01300-SLR, alleging that the Company is infringing U.S. Patent No. 8,283,144, entitled "Fermentive Production of Four Carbon Alcohols." Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses.

On October 8, 2012, Butamax filed a lawsuit in the United States District Court for the District of Delaware for declaratory judgment against us, as Case No. 1:12-cv-01301-SLR, seeking a judicial determination that Butamax is not infringing Gevo's recently issued U.S. Patent No. 8,283,505, entitled "Recovery of Higher Alcohols from Dilute Aqueous Solutions."

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

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

The court also provided certain claim construction rulings, including a ruling that Butamax's patent claims were limited to an "acetohydroxy acid isomeroreductase" enzyme that is "NADPH-dependent." The remaining issues were to be resolved by a jury trial, scheduled to commence on April 1, 2013.

On March 20, 2013, the U.S. District Court for the District of Delaware held the final pre-trial hearing leading up to the trial on the '188 Patent and the '889 Patent scheduled to commence April 1, 2013. During the hearing, Butamax's attorney acknowledged that Gevo does not infringe such patents under the court's construction of a key claim term in such patents, "acetohydroxy acid isomeroreductase." Butamax offered to stipulate to no literal infringement under the court's construction. In view of this stipulation and the court's prior ruling of no infringement under Butamax's alternative infringement theory, the doctrine of equivalents, on April 10, 2013 a judgment of no infringement was entered in favor of Gevo. On April 19, 2013, Butamax appealed the court's claim construction and summary judgment rulings to the U.S. Court of Appeals for the Federal Circuit.

On April 19, 2013, Butamax filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit to appeal the District Court of Delaware's Memorandum and Order of March 19, 2013, and the District Court of Delaware's Amended Final Judgment of April 10, 2013.

Due to the nature and stage of this litigation, we have determined that the possible loss or range of loss related to this litigation cannot be reasonably estimated at this time. The trial regarding Gevo's patents on PDC deletions and overexpression of AFT proteins is set for August 2013, and additional trials are currently scheduled for July 2014 and August 2015. We expect to continue to incur significant costs related to our involvement in the foregoing legal proceedings.

*Indemnifications.* In the ordinary course of its business, the Company makes certain indemnities under which it may be required to make payments in relation to certain transactions. As of March 31, 2013 and December 31, 2012, the Company did not have any liabilities associated with indemnities.

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





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**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)**

*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 March 31, 2013.

**14. 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.

*Cash and Cash Equivalents.* For cash and cash equivalents, the fair value, based upon Level 1 inputs, approximates carrying value due to the short-term nature of these instruments.

*Inventories.* The Company records its inventory, primarily corn inventory, at fair value only when the Company's cost of corn purchased exceeds the market value for corn. The Company determines the market value of corn based upon Level 1 inputs using quoted market prices. The Company did not incur any write-down of corn to market prices during the three months ended March 31, 2013 or 2012.

*Derivative Assets and Liabilities.* The fair value of exchange-traded derivative instruments is based on Level 1 inputs using quoted market prices. Exchange-traded derivative instruments are recorded in the consolidated balance sheets at fair value. The fair value of the Company's exchange-traded derivative instruments were not material at March 31, 2013 and December 31, 2012.

The fair value of the Company's forward contract derivative instruments are derived based upon a market approach using Level 2 inputs, including, the price at the delivery location adjusted for basis differentials, counterparty credit quality, the effect of the Company's own credit worthiness, the time value of money and/or the liquidity of the market. The fair value of the Company's forward contract derivative instruments were not material at March 31, 2013 and December 31, 2012.

*Property, Plant and Equipment.* The Company records its property, plant and equipment, primarily its Agri-Energy retrofit assets, at fair value only when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is considered to be impaired if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. The Company's estimated cash flows for its Agri-Energy retrofit assets are based upon Level 3 cash flow inputs, primarily estimates associated with the following: (1) sales prices of isobutanol and dried distiller's grains; (2) cost of corn and; (3) costs of nutrients and other production inputs. During the three months ended March 31, 2013 and 2012, the Company did not record any property, plant and equipment at fair value.

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

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current credit risk of the Company and other market factors. The following table sets forth the principal balance of the Company's secured debt obligations and the associated estimated fair value at March 31, 2013 and December 31, 2012 (in thousands).

**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)**

Issuance	March 31, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
TriplePoint - Matures September 2014	\$ 10,674	\$ 9,795	\$ 11,643	\$ 10,604
TriplePoint - Matures October 2015	8,806	7,535	9,266	7,864
TriplePoint - Matures January 2016	4,478	3,783	4,689	3,929

*Convertible Notes and Embedded Derivatives.* The Company has estimated the fair value of the Convertible Notes, including the embedded derivatives, to be \$25.0 million and \$26.0 million at March 31, 2013 and December 31, 2012, respectively, based upon Level 2 inputs, including the market price of the Convertible Notes derived from actual trades of the Convertible Notes. The Company has estimated the fair value of the embedded derivatives on a stand-alone basis to be \$9.9 million and \$11.0 million at March 31, 2013 and December 31, 2012, respectively, based upon Level 2 inputs. See Note 5 for the fair value inputs used to estimate the fair value of the Convertible Notes with and without the embedded derivatives and the fair value of the embedded derivatives.

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.

**Table of Contents****GEVO, INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****15. Information on Business Segments**

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

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

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Gevo	\$ 1,124	\$ 614
Gevo Development / Agri-Energy	2,419	14,258
Consolidated	\$ 3,543	\$ 14,872
<b>Operating loss:</b>		
Gevo	\$ (10,413)	\$ (17,211)
Gevo Development / Agri-Energy	(2,473)	(1,009)
Consolidated	\$ (12,886)	\$ (18,220)
<b>Interest expense:</b>		
Gevo	\$ 2,257	\$ 286
Gevo Development / Agri-Energy	1,019	801
Consolidated	\$ 3,276	\$ 1,087
<b>Depreciation expense:</b>		
Gevo	\$ 316	\$ 266
Gevo Development / Agri-Energy	533	522
Consolidated	\$ 849	\$ 788
<b>Acquisitions of plant, property and equipment:</b>		
Gevo	\$ 248	\$ 654
Gevo Development / Agri-Energy	1,749	7,391
Consolidated	\$ 1,997	\$ 8,045
	<b>March 31,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012</b>
<b>Total assets:</b>		
Gevo	\$ 118,423	130,900
Gevo Development / Agri-Energy	78,494	83,872

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Intercompany eliminations	(54,697)	(58,661)
Consolidated	\$ 142,220	\$ 156,111

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

#### **Forward-Looking Statements**

This report contains forward-looking statements. When used anywhere in this Quarterly Report on Form 10-Q (this Report), the words expect, believe, anticipate, estimate, intend, plan and similar expressions are intended to identify forward-looking statements. These statements relate to future events or our future financial or operational performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Such statements are subject to certain risks and uncertainties including those related to the achievement of advances in our technology platform, the success of our retrofit production model, our ability to gain market acceptance for our products, additional competition, changes in economic conditions and those described in documents we have filed with the Securities and Exchange Commission (the SEC), including this Report in Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors, our Annual Report on Form 10-K for the year ended December 31, 2012, as amended (our Annual Report) and other reports that we have filed with the SEC. All forward-looking statements in this document are qualified entirely by the cautionary statements included in this document and such other filings. These risks and uncertainties could cause actual results to differ materially from results expressed or implied by forward-looking statements contained in this document. These forward-looking statements speak only as of the date of this document. We disclaim any undertaking to publicly update or revise any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Unless the context requires otherwise, in this Report the terms we, us, our and the Company refer to Gevo, Inc. and its wholly owned or indirect subsidiaries, and their predecessors.

The following discussion should be read in conjunction with our unaudited consolidated financial statements and the related notes and other financial information appearing elsewhere in this Report. Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including without limitation in our Annual Report, including the disclosures made in Part I, Item 1A Risk Factors and the audited consolidated financial statements and related notes included in Part II, Item 8 Financial Statements and Supplementary Data, and the disclosures made in Part II, Item 1A Risk Factors of this Report.

#### **Overview**

We are a renewable chemicals and next generation biofuels company. Our overall strategy is to commercialize bio-based alternatives to petroleum-based products using a combination of synthetic biology and chemical technology. In order to implement this strategy, we are taking a building block approach. Initially, we intend to produce and sell isobutanol 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 fuel blendstock. Isobutanol can also be converted into butenes using straightforward 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 lubricants, rubber, plastics, fibers, other polymers and hydrocarbon fuels.

We believe that products derived from our isobutanol will be drop-in products, which means that our customers will be able to replace petroleum-based intermediate products with bio-isobutanol-based intermediate products without modification to their equipment or production processes. The final products produced from our bio-isobutanol-based intermediate products will be chemically and visually identical to those produced from petroleum-based intermediate products, except that they will contain carbon from renewable sources. Customer interest in our isobutanol is primarily driven by our production route, which we believe will be cost-efficient, and our isobutanol's potential to serve as a cost-effective, environmentally sensitive alternative to the petroleum-based intermediate products that they currently use. We believe that at every step of the value chain, renewable products that are chemically identical to the incumbent petrochemical products will have lower market adoption hurdles in contrast with other bio-industrial products because the infrastructure and applications for such products already exist. In addition, we believe that products made from bio-based isobutanol will be subject to less cost volatility than the petroleum-based products in use today based on the historical cost volatility of agricultural feedstocks compared to oil.

In order to produce and sell isobutanol made from renewable sources, we have developed the Gevo Integrated Fermentation Technology® (GIFT®), an integrated technology platform for the efficient production and separation of isobutanol. GIFT® consists of two components, proprietary biocatalysts, which convert sugars derived from multiple renewable feedstocks into isobutanol through fermentation, and a proprietary separation unit, which is designed to continuously separate isobutanol from water during the

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fermentation process. We developed our technology platform to be compatible with the existing approximately 23 billion gallons per year of global operating ethanol production capacity, as estimated by the Renewable Fuels Association. GIFT® is designed to allow relatively low capital expenditure retrofits of existing ethanol facilities, enabling a rapid route to isobutanol production from the fermentation of renewable feedstocks. We believe that our production route will be cost-efficient and will enable rapid deployment of our technology platform and allow our isobutanol and the products produced from it to be economically competitive with many of the petroleum-based products used in the chemicals and fuels markets today.

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

In September 2009, Gevo, Inc. formed Gevo Development, LLC ( Gevo Development ) to develop isobutanol production assets using GIFT. Gevo Development has a flexible business model and aims to secure access to existing ethanol capacity either through joint venture, licensing arrangements, tolling arrangements or direct acquisition.

### ***Agri-Energy***

In September 2010, we acquired a 22 million gallon per year ( MGPY ) ethanol production facility in Luverne, Minnesota (the Agri-Energy Facility ). The Agri-Energy Facility is a traditional dry-mill facility, which means that it uses corn as a feedstock. In partnership with ICM, Inc. ( ICM ), we have developed a detailed retrofit design for this facility and began the retrofit in 2011. In May 2012, we commenced initial startup operations for the production of isobutanol at this facility. During initial startup operations we produced approximately 100,000 gallons of bio-based isobutanol for sale and future customer testing. These initial startup operations included production of initial quantities of isobutanol produced at commercial scale, completion of initial commissioning of new equipment and development of operating discipline at commercial scale. In September 2012, as a result of a lower than planned production rate of isobutanol, we made the strategic decision to pause isobutanol production at the Agri-Energy Facility for a period of time to focus on optimizing specific parts of our technology to further enhance isobutanol production rates. Factors that contributed to this strategic decision included, among others, that producing isobutanol at startup production rates while working to improve those production rates would result in operating the Agri-Energy Facility at significantly below our break-even cash flow level and that we believed that we had generated the necessary information required from our startup operations to work on enhancing our production rates at our testing laboratory in Colorado. We intend to resume isobutanol production at the Agri-Energy Facility in support of future commercial operations once this work has been completed. Based on our progress to date, we anticipate resuming limited commercial scale isobutanol production at the Agri-Energy Facility in 2013.

Through March 31, 2013, we have incurred capital costs of approximately \$57.9 million on the retrofit of the Agri-Energy Facility. The retrofit of the Agri-Energy Facility includes a number of additional capital costs that are unique to the design of the facility, including additional equipment that we believe will allow us to switch between ethanol and isobutanol production, modifications to increase the potential production capacity of GIFT® at the Agri-Energy Facility and the establishment of an enhanced yeast seed train to accelerate the adoption of improved yeast strains at the Agri-Energy Facility and at future plants. Capital expenditures at the Agri-Energy Facility also include upfront design and engineering expenses, plant modifications identified as necessary during initial startup operations for the production of isobutanol as well as sales tax on equipment and capitalized interest. We have incurred approximately \$23.4 million in capital expenditures associated with these additional design features and other costs. We do not anticipate installing an advanced yeast seed train at each future retrofit site.

Until May 2012, when we commenced initial startup operations for the production of isobutanol at the Agri-Energy Facility, we derived revenue from the sale of ethanol, distiller's grains and other related products produced as part of the ethanol production process at the Agri-Energy Facility. Continued ethanol production during the retrofit process allowed us to retain local staff for the future operation of the plant, maintain the equipment and generate cash flow. However, the continued production of ethanol is not our intended business and our future return on invested capital depends on our ability to produce and market isobutanol and products derived from isobutanol, not on continued production and sales of ethanol. We believe that we will be able to transition back to the production and sale of ethanol and related products at the Agri-Energy Facility, other than during certain periods while we are working to optimize certain parts of our isobutanol production technology, if we were to project positive cash flows from ethanol operations versus maintaining the facility at idle, including any costs related to the transition, but there is no guarantee that this will be the case. Through the filing of this Quarterly Report, we have not transitioned back to ethanol production because we are engaged in activities at the Agri-Energy Facility to optimize specific parts of our technology to further enhance isobutanol production rates. Following the commencement of full-scale commercial production of isobutanol, we do not expect to generate significant future revenues from the sale of ethanol produced at the Agri-Energy Facility. Accordingly, the historical operating results of our subsidiary, Agri-Energy, LLC ( Agri-Energy ) and the operating results reported during the retrofit to isobutanol production may not be indicative of future operating results for Agri-Energy or Gevo once commercial scale isobutanol production commences at the Agri-Energy Facility.





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

#### ***Revenues***

During the three months ended March 31, 2013, we derived revenue primarily from our grant revenue, research and development programs and revenue from sales of excess corn inventory. Our grant, research and development program and other revenue primarily consists of the following: (i) revenues relating to government research grants; (ii) revenues relating to cooperative agreements and research services; and (ii) the procurement of biojet derived from our isobutanol for purposes of certification and testing.

During the three months ended March 31, 2012, we derived revenue primarily from the sale of ethanol. Substantially all ethanol sold through Agri-Energy was sold to C&N, a subsidiary of Mansfield Oil Company, pursuant to an ethanol purchase and marketing agreement. Our revenue also includes the sale of distiller's grains and other products produced as part of the ethanol production process to third parties.

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

Our cost of goods sold includes costs incurred in conjunction with the initial startup operations for the production of isobutanol at the Agri-Energy Facility and costs directly associated with our ethanol production process such as costs for direct materials, direct labor and certain plant overhead costs. Direct materials consist of corn feedstock, denaturant and process chemicals. Direct labor includes compensation of personnel directly involved in production operations at the Agri-Energy Facility. Plant overhead costs primarily consist of plant utilities and plant depreciation. Cost of goods sold is mainly affected by the cost of corn and natural gas. Corn is the most significant raw material cost. We purchase natural gas to power steam generation in the ethanol production process and to dry the distiller's grains. We enter into forward purchase contracts and exchange-traded futures contracts associated with corn. Accordingly, our cost of goods sold also includes gains or losses and/or changes in fair value from our forward purchase contracts and exchange-traded futures contracts. Our gross loss is defined as our total revenues less our cost of goods sold.

#### ***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 expense includes 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 Agri-Energy Facility that include administrative and oversight, certain personnel-related expenses, insurance and other operating expenses.

#### **Critical Accounting Policies and Estimates**

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



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

**Result of Operations***Comparison of the three months ended March 31, 2013 and 2012 (in thousands)*

	<b>Three Months Ended March 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>Change Amount</b>
<b>Revenue and cost of goods sold</b>			
Ethanol sales and related products, net	\$	\$ 14,258	\$ (14,258)
Corn sales	2,419		2,419
Grant and research and development program revenue	1,124	614	510
<b>Total revenues</b>	<b>3,543</b>	<b>14,872</b>	<b>(11,329)</b>
Cost of corn sales	2,455		2,455
Cost of goods sold	2,048	15,010	(12,962)
Gross loss	(960)	(138)	(822)
<b>Operating expenses</b>			
Research and development	4,976	4,955	21
Selling, general and administrative	6,950	13,127	(6,177)
<b>Total operating expenses</b>	<b>11,926</b>	<b>18,082</b>	<b>(6,156)</b>
<b>Loss from operations</b>	<b>(12,886)</b>	<b>(18,220)</b>	<b>5,334</b>
<b>Other income (expense)</b>			
Interest expense	(3,276)	(1,087)	(2,189)
Change in fair value of embedded derivative	(1,330)		(1,330)
Loss on extinguishment of debt	(926)		(926)
Interest and other income	48		48
<b>Total other expense</b>	<b>(5,484)</b>	<b>(1,087)</b>	<b>(4,397)</b>
<b>Net loss</b>	<b>\$ (18,370)</b>	<b>\$ (19,307)</b>	<b>\$ 937</b>

*Revenues.* During the three months ended March 31, 2013 we were not producing ethanol or isobutanol and, as a result, we did not have any shipments of or report any sales of ethanol or isobutanol during this period. During the three months ended March 31, 2012, we generated revenue from the sale of ethanol and related products at our Agri-Energy Facility. In May 2012, we suspended the production of ethanol at our Agri-Energy Facility in advance of the conversion of that facility to the production of isobutanol.

During the three months ended we sold excess corn inventory which generated \$2.4 million of revenue during the three months ended March 31, 2013. We did not have any sales of corn during the same period in 2012. We generated \$1.1 million and \$0.6 million of revenue from grants and our research and development programs during the three months ended March 31, 2013 and 2012, respectively. Included in grant and research and development program revenue during the three months ended March 31, 2013 was \$0.4 million for the sale of biojet to the United States Air Force ( USAF ) under a procurement agreement awarded to us in September 2012. The increase in grant and research and development program revenue primarily resulted from agreements with the following entities which were entered into subsequent to March 31, 2012: (i) USAF; and

(ii) the United States Department of Agriculture.

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*Cost of goods sold.* Our cost of goods sold during the three months ended March 31, 2013 primarily includes the following: (1) \$2.5 million associated with costs related to the sale of excess corn inventory; (2) \$1.5 million in on-going operating costs of our Agri-Energy Facility; and (3) \$0.5 million in depreciation expense. Our cost of goods sold during the three months ended March 31, 2012 primarily related to: (1) \$14.5 million associated with the sale of ethanol and related products; and (2) \$0.5 million in depreciation expense.

*Research and development.* Research and development expenses were flat during the three months ended March 31, 2013 compared to the three months ended March 31, 2012. We did experience a \$0.7 million decrease in salary and compensation-related expenses, including stock-based compensation expense and a \$0.2 million decrease in consultants and lab consumables. These items were offset by a \$0.9 million increase in costs at the pilot plant located at the South Hampton Resources, Inc. facility in Silsbee, Texas to increase our pilot plant biojet processing capability and establish a bio-para-xylene ( bio-PX ) pilot plant under our agreement with Toray Industries, Inc. ( Toray Industries ).

*Selling, general and administrative.* The decrease in selling, general and administrative expenses during the three months ended March 31, 2013 compared to the three months ended March 31, 2012 primarily resulted from decreases related to the following items: (i) \$5.1 million in salary and compensation-related expenses, including \$3.3 million associated with stock-based compensation; (ii) \$0.9 million in other general and administrative costs, including travel, consulting and public company-related expenses; and (iii) \$0.2 million in legal-related expenses including expenses in support of our ongoing litigation with Butamax Advanced Biofuels, LLC ( Butamax ), a joint venture between BP Biofuels North American LLC and E.I. DuPont de Nemours and Co. ( DuPont ). Salary and compensation-related expenses for the three months ended March 31, 2012 included severance related payments and \$2.6 million expense resulting from the accelerated vesting of warrants due to the departure of two of our Executive Vice Presidents.

*Interest expense.* Interest expense increased during the three months ended March 31, 2013 compared to the three months ended March 31, 2012 primarily resulting from \$0.7 million and \$1.6 million related to cash interest and non-cash amortization of debt issue costs and discounts, respectively, associated with our 7.5% convertible senior notes due 2022 (the Convertible Notes ) issued on July 5, 2012.

*Change in fair value of embedded derivatives.* During the three months ended March 31, 2013, we reported an expense of \$1.3 million associated with the increase in the fair value of derivatives embedded in our Convertible Notes which were issued in July 2012. The increase in the fair value of the embedded derivatives primarily resulted from an increase in the price of our common stock between December 31, 2012 and March 31, 2013.

*Loss on extinguishment of debt.* During the three months ended March 31, 2013, holders of \$9.2 million principal amount of Convertible Notes opted to convert their holdings into shares of our common stock. Upon conversion, the Convertible Note holders received 1,617,910 shares of our common stock in payment of converted principal of \$9.2 million and, pursuant to the terms of the indenture governing the Convertible Notes (the Indenture ), the Convertible Note holders also received 1,540,451 shares of our common stock in settlement of Coupon Make-Whole Payments (as defined in the Indenture) of \$2.7 million. We recorded a loss on extinguishment of debt of \$0.9 million as a result of the conversion of the Convertible Notes and settlement of the Coupon Make-Whole Payments.

## **Liquidity and Capital Resources**

From inception to March 31, 2013, we have funded our operations primarily through equity offerings, issuances of debt, borrowings under our secured debt financing arrangements and revenues earned primarily from the sale of ethanol and related products. Our cash and cash equivalents at March 31, 2013 totaled \$54.1 million which is primarily being used for the following: (1) operating activities at our Agri-Energy Facility; (2) operating activities at our corporate headquarters in Colorado, including research and development work; (3) capital improvements primarily associated with our Agri-Energy Facility; (4) costs associated with optimizing isobutanol production technology; (5) litigation defense costs associated with the ongoing litigation with Butamax; and (6) repayment of debt obligations. Based on our current plans, we anticipate capital expenditures necessary to complete the retrofit of the Agri-Energy Facility will be significantly lower than the capital expenditures of \$49.5 million incurred in fiscal year 2012 for this project. We believe that actions taken during 2012 to reduce ongoing litigation expenses and other operating expenses will reduce our 2013 operating expenses from fiscal year 2012 levels. We also have the ability to further limit cash spending associated with the foregoing activities, including limiting the usage of cash associated with research and development activities or delaying the timing of capital improvements, based on then-current facts and circumstances. Notwithstanding our ability to further reduce our monthly cash usage, based on our current level of operations and anticipated growth, we believe that our existing cash and cash equivalents on hand at March 31, 2013, will provide sufficient funds for ongoing operations, planned capital expenditures and working capital requirements for at least the next 12 months.

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If we exceed our planned capital expenditures as part of optimizing specific parts of our isobutanol production technology at the Agri-Energy Facility, or other cost estimates to prepare for commercial production of isobutanol or derivative products of isobutanol, or if we exceed our estimates for ongoing litigation and other operating expenses, we may need to raise additional capital. Depending on the timing and amounts of expected future cash flow requirements, we expect we will be required to raise such additional capital in 2014, or sooner. Finally, based on current estimates, additional financing will be required for us to finance the retrofit of additional production capacity to isobutanol production, including further expansion of our Agri-Energy Facility. There are no assurances that we will be able to raise additional funds, or achieve or sustain profitability or positive cash flow from operations.

As of March 31, 2013, our cash and cash equivalents totaled \$54.1 million. In July 2012, we issued: (i) 12.5 million shares of common stock at an offering price of \$4.95 per share; and (ii) \$45.0 million aggregate principal amount of Convertible Notes, in each case in a firm commitment underwritten public offering (the Equity Offering and the Note Offering, respectively, and together, the Offerings). We received proceeds from the Offerings of \$98.4 million, net of expenses and fees to underwriters. We used \$5.4 million of the proceeds from the Note Offering to pay in full all amounts outstanding under the Gevo Loan Agreement (as defined below). Through March 31, 2013, \$9.2 million in principal amount of Convertible Notes have been converted and, as such, we have an aggregate of \$35.8 million in principal amount of Convertible Notes outstanding as of that date.

On February 14, 2011, we completed our initial public offering issuing 8,222,500 shares of common stock at an offering price of \$15.00 per share, resulting in net proceeds of \$110.4 million, after deducting underwriting discounts and commissions and other offering costs.

The timing of possible future joint ventures, including our joint venture with Redfield Energy, LLC (Redfield), licensing arrangements, tolling arrangements or acquisitions involving ethanol plant assets for retrofit to isobutanol production are subject to our raising additional capital through future public and private equity offerings, debt financings or through other alternative financing arrangements. Successful completion of our research and development program and the attainment of profitable operations are dependent upon future events, including completion of our development activities resulting in sales of isobutanol or isobutanol-derived products and/or technology, achieving market acceptance and demand for our products and services and attracting and retaining qualified personnel.

Additionally, our future results of operations and cash flows will be impacted as a result of our ongoing litigation with Butamax. Our ongoing involvement in litigation with Butamax could cause us to spend significant amounts of money and negative decisions by courts associated with pending litigation could also negatively impact our future results of operations and cash flows. Specifically, negative decisions by the courts could force us to do one or more of the following:

stop selling, incorporating, manufacturing or using our products that use the subject intellectual property;

obtain from a third party asserting its intellectual property rights, a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all;

redesign those products or processes, such as our process for producing isobutanol, that use any allegedly infringing or misappropriated technology, which may result in significant cost or delay to us, or which redesign could be technically infeasible; or

pay damages, including the possibility of treble damages in a patent case if a court finds us to have willfully infringed certain intellectual property rights.

The trial for the earliest-filed claim in the Butamax litigation is currently scheduled for August 2013 and additional trials are currently scheduled for July 2014 and August 2015. We expect to continue to incur significant costs through the foregoing trial dates. For a summary of our ongoing litigation with Butamax, see the disclosure under the heading Legal Proceedings in Part II, Item 1 of this Report, and for additional risks we face as a result of the litigation with Butamax, see the disclosure under the heading Risk Factors in Part II, Item 1A of this Report.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
Net cash used in operating activities	\$ (9,006)	\$ (16,897)
Net cash used in investing activities	(1,997)	(8,094)
Net cash (used in) provided by financing activities	(1,639)	4,388

**Operating Activities**

Our primary uses of cash from operating activities are personnel-related expenses and research and development-related expenses including costs incurred under development agreements, costs for licensing of technology, legal-related costs and expenses for start-up operations for the production of isobutanol at the Agri-Energy Facility and for the operation of our demonstration production facilities.

During the three months ended March 31, 2013, we used \$9.0 million in cash from operating activities primarily resulting from a net loss of \$12.0 million, excluding the impact of \$6.3 million in non-cash expenses. This was partially offset by a decrease in inventory resulting from the sale of excess corn inventory which generated \$2.2 million of cash during the three months ended March 31, 2013.

During the three months ended March 31, 2012, we used \$16.9 million in cash from operating activities primarily resulting from the following: (i) a net loss of \$14.2 million, excluding the impact of \$5.1 million in non-cash expenses; (ii) a \$1.6 million increase in inventory as we increased our corn levels from 389,000 bushels at December 31, 2011 to 639,000 bushels at March 31, 2012; and (iii) a \$0.8 million reduction in our accounts payable and accrued liabilities.

**Investing Activities**

During the three months ended March 31, 2013, we used \$2.0 million in cash from investing activities primarily associated with capital expenditures for the addition of functionality as part of our efforts to optimize specific parts of our technology at our Agri-Energy Facility.

During the three months ended March 31, 2012, we used \$8.1 million in cash from investing activities primarily due to the acquisition of \$8.0 million in property and equipment, which includes \$7.2 million associated with our ongoing retrofit of the Agri-Energy Facility to isobutanol production which is recorded as construction in progress.

**Financing Activities**

During the three months ended March 31, 2013, we used \$1.6 million in cash from financing activities resulting from principal payments on our secured debt with TriplePoint Capital LLC ( TriplePoint ).

During the three months ended March 31, 2012, we generated \$4.4 million in cash from financing activities primarily resulting from the following: (i) \$4.9 million borrowed under Agri-Energy's amended and restated loan and security agreement (the Amended Agri-Energy Loan Agreement ) with TriplePoint, net of issue costs; and (ii) \$0.1 million from the exercise of stock options. The proceeds from the Amended Agri-Energy Loan Agreement were directed to the continued retrofit of our Agri-Energy Facility. Partially offsetting these sources of cash was \$0.5 million in principal payments on our secured debt and a \$0.1 million deposit provided to TriplePoint.

**Stock Repurchase Program**

On January 2, 2013, our board of directors approved a stock repurchase program which authorizes us to repurchase up to \$15.0 million of our common stock over a one-year period. Repurchases under the stock repurchase program, if any, would be funded with cash and cash equivalents on hand. Under the program, management is authorized to purchase shares of the Company's common stock from time to time through open market purchases, privately negotiated transactions or block transactions and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, subject to market conditions and other factors. Through March 31, 2013 we have not purchased any shares of common stock under our stock repurchase program.





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***Agri-Energy Retrofit***

In September 2010, we acquired the Agri-Energy Facility which we are currently retrofitting to produce isobutanol. As of March 31, 2013, we have incurred capital costs of approximately \$57.9 million on the retrofit of the Agri-Energy Facility. The retrofit of the Agri-Energy Facility includes a number of additional capital costs that are unique to the design of the facility, including additional equipment that we believe will allow us to switch between ethanol and isobutanol production, modifications to increase the potential production capacity of GIFT® at the Agri-Energy Facility and the establishment of an enhanced yeast seed train to accelerate the adoption of improved yeast at the Agri-Energy Facility and at future plants. Capital expenditures at the Agri-Energy Facility also include upfront design and engineering costs, plant modifications identified as necessary during initial startup operations for the production of isobutanol as well as sales tax on equipment and capitalized interest. We have incurred approximately \$23.4 million in capital expenditures associated with these additional design features and other costs. In May 2012, we commenced initial startup operations for the production of isobutanol at the Agri-Energy Facility. During initial startup operations we produced approximately 100,000 gallons of bio-based isobutanol for future sale and customer testing. In September 2012, we made the strategic decision to pause isobutanol production at the Agri-Energy Facility for a period of time to focus on optimizing specific parts of our technology to further enhance isobutanol production rates. We intend to resume isobutanol production at the Agri-Energy Facility in support of future commercial operations once this work has been completed. Based on our progress to date we anticipate resuming limited isobutanol production at commercial scale at the Agri-Energy Facility in 2013.

***Redfield Energy, LLC***

On June 15, 2011, we entered into an isobutanol joint venture agreement (the *Joint Venture Agreement*) with Redfield and executed the second amended and restated operating agreement of Redfield (together with the *Joint Venture Agreement*, the *Joint Venture Documents*). Under the terms of the *Joint Venture Documents*, we have agreed to work with Redfield toward the retrofit of Redfield's approximately 50 MGPY ethanol production facility located near Redfield, South Dakota (the *Redfield Facility*), for the commercial production of isobutanol. Under the terms of the *Joint Venture Agreement*, Redfield has issued 100 Class G membership units in Redfield (the *Class G Units*) to our wholly-owned subsidiary, Gevo Development. Gevo Development is the sole holder of Class G units, which entitle Gevo Development to certain information and governance rights with respect to Redfield, including the right to appoint two members of Redfield's 11-member board of managers. The Class G units currently carry no interest in the allocation of profits, losses or other distributions of Redfield and no voting rights. Such rights will vest upon the commencement of commercial isobutanol production at the Redfield Facility, at which time we anticipate consolidating Redfield's operations because we anticipate we will control the activities that are most significant to the entity.

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

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

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

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Gevo, Inc. entered into a guaranty effective as of June 15, 2011, pursuant to which it has unconditionally and irrevocably guaranteed the payment by Gevo Development of any and all amounts owed by Gevo Development pursuant to the terms and conditions of the Joint Venture Agreement and certain other agreements that Gevo Development and Redfield expect to enter into in connection with the retrofit of the Redfield Facility.

During 2012, we initiated the project engineering and permitting process for the Redfield Facility retrofit. As of March 31, 2013, we have incurred \$0.4 million in planning-related costs for the future retrofit of the Redfield Facility, which have been recorded on our balance sheets in deposits and other assets. Based on estimates from our preliminary engineering process, we will need to raise additional debt or equity capital, which we may be unable to do on reasonable terms or at all, in order to complete the retrofit of the Redfield Facility.

***Cargill, Incorporated***

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

During 2009, two milestones were completed and we recorded the related milestone amounts, along with an up-front signing fee, totaling \$0.9 million, to research and development expense. During March 2010, we completed milestone number three and recorded the related milestone amount of \$2.0 million to research and development expense at its then-current present value of \$1.6 million because the milestone payment was paid over a period greater than twelve months from the date that it was incurred. As of December 2012, we had not completed milestone number four. Accordingly, we paid a \$0.5 million license fee which satisfied the terms of milestone number four under the agreement. This fee was paid in March 2013 through the issuance of 250,000 shares of our common stock to Cargill. Milestone number five included in the license agreement representing potential payments of up to \$1.0 million, which is due by December 2015, has not been met as of March 31, 2013 and no amount has been recorded as a liability for this milestone. Upon commercialization of a product which uses Cargill's biological material or is otherwise covered by the patent rights under the license agreement, a royalty based on net sales is payable by us, subject to a minimum royalty amount per year, as defined in the agreement, and up to a maximum amount per year. We may terminate this agreement at any time upon 90 days' prior written notice. Unless terminated earlier, the agreement remains in effect until the later of December 31, 2025 and the date that no licensed patent rights remain.

***Sasol Chemical Industries Limited***

On July 29, 2011, we entered into an international off-take and distribution agreement with Sasol Chemical Industries Limited ( Sasol ) to market and distribute renewable isobutanol globally. The agreement has an initial term of three years and appoints Sasol as a non-exclusive distributor of high-purity isobutanol in North and South America and as the exclusive distributor for high-purity isobutanol for solvent and chemical intermediate applications in the rest of the world. Beginning upon our first commercial sale of high-purity isobutanol under the agreement, if Sasol desires to maintain its exclusive distribution rights, Sasol is obligated to either purchase certain minimum quantities of high-purity isobutanol or pay us applicable shortfall fees and we are obligated to either supply Sasol with certain minimum quantities of high-purity isobutanol or pay Sasol applicable shortfall fees. No amounts have been recorded under this agreement as of March 31, 2013.

***Toray Industries, Inc.***

In June 2011, we announced that we had successfully produced fully renewable and recyclable polyethylene terephthalate ( PET ) in cooperation with Toray Industries. Working directly with Toray Industries, we employed prototypes of commercial operations from the petrochemical and refining industries to make para-xylene ( PX ) from isobutanol. Toray Industries used our bio-PX and commercially available renewable mono ethylene glycol to produce fully renewable PET films and fibers. On June 1, 2012, we entered into a definitive agreement with Toray Industries for the joint development of an integrated supply chain for the production of bio-PET. Pursuant to the terms of the agreement with Toray Industries, we received \$1.0 million which we will use for the design, construction and/or operation of a pilot plant. We anticipate producing bio-based PX at the pilot plant, some of which will be sold to Toray Industries. Toray Industries is obligated to purchase initial volumes of bio-PX. In the event we are unable to produce and deliver a minimum quantity of bio-PX to Toray Industries by December 31, 2013, we will be required to refund the \$1.0 million by January 31, 2014. Any excess bio-PX that is produced can be sold to other parties.

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**Table of Contents****Convertible Notes**

In July 2012, we sold \$45.0 million in aggregate principal amount of Convertible Notes, with net proceeds of \$40.9 million, after accounting for \$2.7 million and \$1.4 million of cash discounts and issue costs, respectively. The Convertible 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. The Convertible Notes will mature on July 1, 2022, unless earlier repurchased, redeemed or converted.

The Convertible Notes are convertible at an initial Conversion Rate of 175.6697 shares of Gevo, Inc. common stock per \$1,000 principal amount of Convertible Notes, subject to adjustment in certain circumstances as described in the Indenture. This is equivalent to an initial Conversion Price of approximately \$5.69 per share of common stock. Holders may convert the Convertible 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 Convertible Notes on or after January 1, 2013 but 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 lesser of: (i) eight semi-annual interest payments; or (ii) the number of semi-annual interest payments that would have been payable on the Convertible Notes that a holder has elected to convert from the last day through which interest was paid, or the issue date if no interest has been paid, up to but excluding July 1, 2017, computed using a discount rate of 2%. We may pay any Coupon Make-Whole Payment either in cash or in shares of common stock at our election. If we elect to pay in common stock, the stock will be valued at 90% of the average of the daily volume weighted average prices of our common stock for the 10 trading days preceding the date of conversion. During the three months ended March 31, 2013, certain holders of our Convertible Notes elected to convert bonds totaling \$9.2 million, reducing the principal balance of the Convertible Notes to \$35.8 million. Upon conversion, the Convertible Note holders received 1,617,910 shares of our common stock in payment of converted principal of \$9.2 million and, pursuant to the terms of the Indenture, such holders also received 1,540,451 shares of our common stock in settlement of Coupon Make-Whole Payments of \$2.7 million.

If a Make-Whole Fundamental Change (as defined in the Indenture) occurs and a holder elects to convert its Convertible 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 202.0202 per \$1,000 principal amount of Convertible Notes.

If a Fundamental Change (as defined in the Indenture) occurs, at any time, then each holder will have the right to require us to repurchase all of such holder's Convertible 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 Convertible Notes plus any accrued and unpaid interest thereon through, but excluding, the repurchase date. Additionally, on July 1, 2017, each holder will have the right to require us to repurchase all of such holder's Convertible 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 Convertible Notes plus any accrued and unpaid interest thereon through, but excluding, the repurchase date.

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

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

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***Secured Long-Term Debt***

*Gevo Loan Agreement.* In August 2010, concurrent with the execution of the agreement to acquire Agri-Energy, Gevo, Inc. entered into the Gevo Loan Agreement with TriplePoint, pursuant to which we borrowed \$5.0 million. Under the terms of each of (i) the Gevo Loan Agreement and (ii) Gevo, Inc.'s guarantee of Agri-Energy's obligations under the Original Agri-Energy Loan Agreement described below, we are prohibited from granting a security interest in our intellectual property assets to any other entity until both TriplePoint loans are paid in full. In July 2012, we used \$5.4 million of the proceeds from the Convertible Note offering that was completed in July 2012 to pay in full all amounts outstanding under the Gevo Loan Agreement, including an end-of-term payment equal to 8% of the amount borrowed.

*Original Agri-Energy Loan Agreement.* In August 2010, Gevo Development borrowed \$12.5 million from TriplePoint to finance its acquisition of Agri-Energy. In September 2010, upon completion of the acquisition, the loan and security agreement was amended to make Agri-Energy the borrower under the facility. This loan and security agreement (the "Original Agri-Energy Loan Agreement") includes customary affirmative and negative covenants for agreements of this type and events of default. The aggregate amount outstanding under the Original Agri-Energy Loan Agreement bears interest at a rate equal to 13% and is subject to an end-of-term payment equal to 8% of the amount borrowed. The loan is secured by the equity interests of Agri-Energy held by Gevo Development and substantially all the assets of Agri-Energy. The loan matures on September 1, 2014. The loan is guaranteed by Gevo, Inc. pursuant to a continuing guaranty executed by Gevo, Inc. in favor of TriplePoint, which is secured by substantially all of the assets of Gevo, Inc., other than its intellectual property.

*Amended Agri-Energy Loan Agreement.* In October 2011, Agri-Energy entered into the Amended Agri-Energy Loan Agreement with TriplePoint which amends and restates the Original Agri-Energy Loan Agreement. The Amended Agri-Energy Loan Agreement includes customary affirmative and negative covenants for agreements of this type and events of default. The Amended Agri-Energy Loan Agreement provides Agri-Energy with additional term loan facilities of up to \$15.0 million (the "New Loan") (which amount is in addition to the existing \$12.5 million term loan (the "Existing Loan") provided under the Original Agri-Energy Loan Agreement, which Existing Loan remains in place under the Amended Agri-Energy Loan Agreement), the proceeds of which were used to pay a portion of the costs, expenses, and other amounts associated with the retrofit of the Agri-Energy Facility to produce isobutanol. The aggregate amount outstanding under the New Loan bears interest at a rate of 11% and is subject to an end-of-term payment equal to 5.75% of the amount borrowed.

On October 20, 2011, Agri-Energy borrowed a portion of the New Loan in the amount of \$10.0 million under the Amended Agri-Energy Loan Agreement (the "October 2011 Loan"). The October 2011 Loan matures on October 31, 2015. On January 6, 2012, Agri-Energy borrowed an additional \$5.0 million under the Amended Agri-Energy Loan Agreement (the "January 2012 Loan"), bringing the total borrowed under the New Loan to \$15.0 million. The January 2012 Loan matures on December 31, 2015. At March 31, 2013, we were in compliance with the debt covenants under the Amended Agri-Energy Loan Agreement.

The Amended Agri-Energy Loan Agreement provides that Agri-Energy will secure all of its obligations under the Amended Agri-Energy Loan Agreement and any other loan documents by granting to TriplePoint a security interest in and lien upon all or substantially all of its assets. Gevo, Inc. has guaranteed Agri-Energy's obligations under the Amended Agri-Energy Loan Agreement. As additional security, concurrently with the execution of the Amended Agri-Energy Loan Agreement, (i) Gevo Development entered into a limited recourse continuing guaranty in favor of TriplePoint, (ii) Gevo Development entered into an amended and restated limited recourse membership interest pledge agreement in favor of TriplePoint, pursuant to which it pledged the membership interests of Agri-Energy as collateral to secure the obligations under its guaranty and (iii) Gevo, Inc. entered into an amendment to its security agreement with TriplePoint (the "Gevo Security Agreement"), which secures its guarantee of Agri-Energy's obligations (including up to \$32.5 million in term loans) under the Amended Agri-Energy Loan Agreement.

As of March 31, 2013, we have made \$10.8 million in principal payments due under the foregoing loan agreements with TriplePoint, including \$5.4 million which was repaid upon the closing of the Convertible Notes offering on July 5, 2012. Payments of outstanding principal under our loan agreements with TriplePoint began during the third quarter of 2012.

*June Amendments.* In June 2012, Gevo, Inc. entered into (i) an amendment (the "Security Agreement Amendment") to the Gevo Security Agreement and (ii) an amendment (the "Gevo Loan Amendment") to the Gevo Loan Agreement. In addition, concurrently with the execution of the Security Agreement Amendment and the Gevo Loan Amendment, Agri-Energy entered into an amendment to the Amended Agri-Energy Loan Agreement.

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These amendments, among other things: (i) permitted the issuance of the Company's Convertible Notes; (ii) removed Agri-Energy's and the Company's options to elect additional interest-only periods upon the achievement of certain milestones; (iii) permit Agri-Energy to make dividend payments and distributions to the Company for certain defined purposes related to the Convertible Notes; (iv) add as an event of default the payment, repurchase or redemption of the Convertible Notes or of amounts payable in connection therewith other than certain permitted payments related to the Convertible Notes; (v) add a negative covenant whereby the Company may not incur any indebtedness other than as permitted under the Security Agreement Amendment; and (vi) add a prohibition on making any Coupon Make-Whole Payments in cash prior to the payment in full of all remaining outstanding obligations under the Amended Agri-Energy Loan Agreement.

**Contractual Obligations and Commitments**

The following summarizes the future commitments arising from our contractual obligations at March 31, 2013 (in thousands).

	Less than 1 year	1 - 3 years	4 - 5 years	5+ Years	Total
Principal debt payments (1)	\$ 10,476	\$ 13,482	\$	\$ 35,800	\$ 59,758
Interest payments on debt (2)	4,767	6,329	5,370	12,083	28,549
Operating leases (3)	1,564	3,157	2,255	1,334	8,310
Software license agreement (4)	148	310	329		787
Base fee due to South Hampton Resources, Inc. (5)	570	250			820
Total	\$ 17,525	\$ 23,528	\$ 7,954	\$ 49,217	\$ 98,224

- (1) Principal debt payments include amounts due to TriplePoint under the Amended Agri-Energy Loan Agreement, as amended, and \$35.8 million of principal associated with our Convertible Notes.
- (2) Represents interest payments due to TriplePoint under the Amended Agri-Energy Loan Agreement, as amended, and to holders of the Convertible Notes.
- (3) Represents commitments for operating leases, primarily related to our leased facility in Englewood, Colorado and our lease for rail cars for ethanol and isobutanol shipments.
- (4) Represents amounts due under a software license agreement with a five year term.
- (5) In accordance with our pilot plant processing agreement with South Hampton Resources, Inc. we are obligated to pay a fixed monthly facility fees for the remainder of the initial term of the agreement which ends in July 2013.

The table above reflects only payment obligations that are fixed and determinable. The above amounts exclude potential payments to be made under our license and other agreements that are based on the achievement of future milestones or royalties on product sales.

**Off-Balance Sheet Arrangements**

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

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

During the three months ended March 31, 2013, there were no material changes in our market risk exposure. For a discussion of our market risk associated with interest rates and commodity prices as of December 31, 2012, see Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A of our Annual Report.

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**Item 4. Controls and Procedures.**

(a) *Conclusion regarding the effectiveness of disclosure controls and procedures* An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures has been performed under the supervision of, and with the participation of, our management, including our Chief Executive Officer and our Chief Financial Officer. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, has concluded that our disclosure controls and procedures were effective at March 31, 2013.

(b) *Changes in internal control over financial reporting* There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

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

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

On September 13, 2011, we filed an answer to the **Amended Complaint** in which we asserted counterclaims against Butamax and DuPont for infringement of U.S. Patent No. 8,017,375, entitled **Yeast Organism Producing Isobutanol at a High Yield** and U.S. Patent No. 8,017,376, entitled **Methods of Increasing Dihydroxy Acid Dehydratase Activity to Improve Production of Fuels, Chemicals, and Amino Acids**, both of which were recently awarded to us by the United States Patent and Trademark Office (the **USPTO**). The counterclaim seeks a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses. These counterclaims have been set for trial in August 2013.

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

On January 24, 2012, we filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-00070-SLR, alleging that Butamax and DuPont are infringing one or more claims made in U.S. Patent No. 8,101,808 (the **808 Patent**) entitled **Recovery of Higher Alcohols from Dilute Aqueous Solutions**. The **808 Patent** claims methods to produce a C3-C6 alcohol for example, isobutanol through fermentation and to recover that alcohol from the fermentation medium. We are seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses.

On March 12, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-00298-SLR, alleging that we are infringing one or more claims made in U.S. Patent No. 8,129,162, entitled **Ketol-Acid Reductoisomerase Using NADH**. This complaint is in addition to the **Amended Complaint** discussed above. Butamax is seeking a declaratory judgment, injunctive relief, damages, interest, costs and expenses, including attorney's fees. We believe that we have meritorious defenses to these claims and intend to vigorously defend this lawsuit.

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

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

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





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

On May 15, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-00602-SLR, alleging that we are infringing one or more claims made in U.S. Patent No. 8,178,328, entitled Fermentive Production of Four Carbon Alcohols. Butamax is seeking a declaratory judgment, injunctive relief, damages, interest, costs and expenses, including attorney's fees. We believe that we have meritorious defenses to these claims and we intend to vigorously defend this lawsuit.

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

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

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

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

On August 6, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-01014-SLR, alleging that we are infringing U.S. Patent No. 8,222,017, entitled Ketol-Acid Reductoisomerase Using NADH. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses. On January 22, 2013, discovery in this case was consolidated with Case Nos. 1:12-cv-00070-SLR, 1:12-cv-00298-SLR, 1:12-cv-00301-SLR, 1:12-cv-00448-SLR, and 1:12-cv-00602-SLR.

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

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On August 14, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-01036-SLR, alleging that we are infringing the 878 Patent. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses.

On September 25, 2012, we filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-01202-SLR, alleging that Butamax and DuPont are infringing U.S. Patent No. 8,273,565 (the 565 Patent), entitled Methods of Increasing Dihydroxy Acid Dehydratase Activity to Improve Production of Fuels, Chemicals, and Amino Acids. We are seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses. On September 25, 2012, Butamax and DuPont filed a lawsuit in the United States District Court for the District of Delaware for declaratory judgment against us, as Case No. 1:12-cv-01201, seeking a judicial determination that the 565 Patent is invalid and that Butamax and DuPont do not infringe it.

On September 25, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-01200-SLR, alleging that we are infringing U.S. Patent No. 8,273,558, entitled Fermentive Production of Four Carbon Alcohols. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses.

On October 8, 2012, Butamax filed a complaint in the United States District Court for the District of Delaware, as Case No. 1:12-cv-01300-SLR, alleging that we are infringing U.S. Patent No. 8,283,144, entitled Fermentive Production of Four Carbon Alcohols. Butamax is seeking a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses.

On October 8, 2012, Butamax filed a lawsuit in the United States District Court for the District of Delaware for declaratory judgment against us, as Case No. 1:12-cv-01301-SLR, seeking a judicial determination that Butamax is not infringing Gevo's recently issued U.S. Patent No. 8,283,505, entitled Recovery of Higher Alcohols from Dilute Aqueous Solutions.

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

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

The court also provided certain claim construction rulings, including a ruling that Butamax's patent claims were limited to an acetohydroxy acid isomeroreductase enzyme that is NADPH-dependent. The remaining issues were to be resolved by a jury trial, scheduled to commence on April 1, 2013.

On March 20, 2013, the U.S. District Court for the District of Delaware held the final pre-trial hearing leading up to the trial on the 188 Patent and the 889 Patent scheduled to commence April 1, 2013. During the hearing, Butamax's attorney acknowledged that Gevo does not infringe such patents under the court's construction of a key claim term in such patents, acetohydroxy acid isomeroreductase. Butamax offered to stipulate to no literal infringement under the court's construction. In view of this stipulation and the court's prior ruling of no infringement under Butamax's alternative infringement theory, the doctrine of equivalents, on April 10, 2013 a judgment of no infringement was entered in favor of Gevo. On April 19, 2013, Butamax appealed the court's claim construction and summary judgment rulings to the U.S. Court of Appeals for the Federal Circuit.

On April 19, 2013, Butamax filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit to appeal the District Court of Delaware's Memorandum and Order of March 19, 2013, and the District Court of Delaware's Amended Final Judgment of April 10, 2013.

Due to the nature and stage of this litigation, we have determined that the possible loss or range of loss related to this litigation cannot be reasonably estimated at this time. The trial regarding Gevo's patents on PDC deletions and overexpression of AFT proteins is set for August 2013, and additional trials are currently scheduled for July 2014 and August 2015. We expect to continue to incur significant costs related to our involvement in the foregoing legal proceedings.



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**Table of Contents****Item 1A. Risk Factors.**

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

***We are a development stage company with a history of net losses, and we may not achieve or maintain profitability.***

We have incurred net losses since our inception, including losses of \$60.7 million, \$48.2 million, \$40.1 million and \$18.4 million during the years ended December 31, 2012, 2011 and 2010 and three months ended March 31, 2013, respectively. As of March 31, 2013, we had an accumulated deficit of \$213.7 million. We expect to incur losses and negative cash flow from operating activities for the foreseeable future. We are a development stage company and, to date, our revenues have been extremely limited and we have not generated significant revenues from the sale of isobutanol. Prior to September 2010, our revenues were primarily derived from government grants and cooperative agreements. From the completion of our acquisition of Agri-Energy in September 2010 until the commencement of our initial start-up operations for isobutanol production in May 2012, we had also generated revenue from the sale of ethanol and related products. Similarly, we expect to derive revenue from the sale of ethanol and related products during any period in which the production of isobutanol is temporarily paused and our management decides, based on the then-current economic conditions for the production of ethanol, that the Agri-Energy Facility will be temporarily reverted to ethanol production. Additionally, we have generated some limited revenue from the sale of products such as alcohol-to-jet ( ATJ ) fuel that has been used for engine qualification and flight demonstration by the USAF. Following the commencement of full-scale commercial production of isobutanol, we do not expect to generate significant future revenues from the sale of ethanol at the Agri-Energy Facility. If our existing grants and cooperative agreements are canceled prior to the expected end dates or we are unable to obtain new grants and cooperative agreements or our ATJ supply contracts are cancelled or we are unable to produce suitable ATJ material, our revenues could be adversely affected.

Furthermore, we expect to spend significant amounts on further development of our technology, including on optimizing specific parts of our isobutanol production technology in place at the Agri-Energy Facility, acquiring or otherwise gaining access to ethanol plants and retrofitting them for isobutanol production, marketing, general and administrative expenses associated with our planned growth and management of operations as a public company. In addition, the cost of preparing, filing, prosecuting, maintaining and enforcing patent, trademark and other intellectual property rights and defending ourselves against claims by others that we may be violating their intellectual property rights may be significant.

In particular, over time, the costs of our litigation with Butamax have been and may continue to 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.

***Our retrofits of the Agri-Energy Facility and the Redfield Facility will be our first commercial retrofits and, as a result, our production of isobutanol could be delayed or we could experience significant cost overruns in comparison to our current estimates.***

In September 2010, we acquired ownership of an ethanol production facility, the Agri-Energy Facility in Luverne, Minnesota, and in June 2011, we acquired access to a second ethanol production facility, the Redfield Facility in Redfield, South Dakota, pursuant to our joint venture with Redfield. We intend to retrofit both facilities to produce isobutanol, and will need access to additional capital in order to complete the retrofit of the Redfield Facility. Cost overruns or other unexpected difficulties could cause the retrofits to cost more than we anticipate which could further increase our need for funding. Such funds may not be available when we need them, on terms that are acceptable to us or at all, which could delay our commercial scale production of isobutanol. If additional funding is not available to us, or not available on terms acceptable to us, our ability to optimize the isobutanol production technology currently in place at the Agri-Energy Facility, complete the retrofit of the Redfield Facility, which is not yet underway, or acquire access to or retrofit additional ethanol plants may be limited. Such a result could reduce the scope of our business plan and have an adverse effect on our results of operations.

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***Our ability to compete may be adversely affected if we are unsuccessful in defending against any claims by competitors or others that we are infringing upon their intellectual property rights, such as if Butamax is successful in its lawsuits alleging that we are infringing its patents for the production of isobutanol using certain microbial host cells.***

The various bioindustrial markets in which we plan to operate are subject to frequent and extensive litigation regarding patents and other intellectual property rights. In addition, many companies in intellectual property-dependent industries, including the renewable energy industry, have employed intellectual property litigation as a means to gain an advantage over their competitors. As a result, we may be required to defend against claims of intellectual property infringement that may be asserted by our competitors against us and, if the outcome of any such litigation is adverse to us, it may affect our ability to compete effectively. Currently, we are defending against nine lawsuits filed by Butamax alleging that we have infringed patents for certain recombinant microbial host cells that produce isobutanol and methods for the production of isobutanol using such host cells, a patent covering a modified *Pseudomonas* KARI enzyme, a patent covering a modified *E. coli* KARI enzyme, and a patent covering the use of *L. lactis* and *S. mutans* dihydroxy acid dehydratase enzymes in yeast. The litigation with Butamax is dynamic. We have filed complaints alleging infringement of certain of our patents by Butamax and we anticipate that additional patents involving the isobutanol production process that are issued to Butamax, its members or us will be involved in litigation. The trial for the earliest-filed Butamax litigation is currently scheduled for August 2013 and additional trials are currently scheduled for July 2014 and August 2015.

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

stop selling, incorporating, manufacturing or using our products that use the subject intellectual property;

obtain from a third party asserting its intellectual property rights, a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all;

redesign those products or processes, such as our process for producing isobutanol, that use any allegedly infringing or misappropriated technology, which may result in significant cost or delay to us, or which redesign could be technically infeasible; or

pay damages, including the possibility of treble damages in a patent case if a court finds us to have willfully infringed certain intellectual property rights.

We are aware of a significant number of patents and patent applications relating to aspects of our technologies filed by, and issued to, third parties, including, but not limited to Butamax. We cannot assure you that we will ultimately prevail if any of this third-party intellectual property is asserted against us or that we will ultimately prevail in the patent infringement litigation with Butamax.

***Following completion of its retrofit to isobutanol production, the Agri-Energy Facility will be our first commercial isobutanol production facility, and, as a result, our production of isobutanol could be delayed or we could experience significant cost overruns in comparison to our current estimates of production costs or be unable to produce planned quantities of isobutanol.***

In May 2012, we announced that we had commenced initial start-up operations for the retrofit of the Agri-Energy Facility to isobutanol production. In September 2012, we updated our initial production expectations for the Agri-Energy Facility noting that we had temporarily paused isobutanol production in order to optimize certain specific parts of our isobutanol production technology to further enhance isobutanol production rates. We do not expect to complete our work to optimize specific parts of our isobutanol production technology or reach technical completion of the retrofit of the Agri-Energy Facility until later this year. Even with technical completion of the Agri-Energy Facility, we expect that initial production volumes will be lower than the projected nameplate capacity for isobutanol production at the facility. We intend to resume isobutanol production at the Agri-Energy Facility in support of future commercial operations once this work has been completed. Based on our progress to date we anticipate resuming a limited commercial scale campaign of isobutanol production at the Agri-Energy Facility in 2013 to demonstrate commercial scale capacity and sell resulting product. However, we may encounter further production challenges, including, but not limited to, adding additional processing steps to achieve target customer product specifications, during the completion of the retrofit and the projected ramp up in production rates. Any such production challenges may prevent us from producing significant quantities of isobutanol or may significantly increase our cost to produce isobutanol which could have a material adverse effect on our business, financial condition and results of operations.

*Some of our retrofits, including the retrofit of the Agri-Energy Facility, will include additional equipment that we believe will allow us to switch between ethanol and isobutanol production but we cannot guarantee that we will be successful in switching between isobutanol and ethanol production in a timely or efficient manner at these facilities.*

While we have designed the retrofit of the Agri-Energy Facility to allow the capability to switch between isobutanol and ethanol production, which may, subject to regulatory factors and depending on market conditions, mitigate certain significant risks associated with start-up operations for isobutanol production, there can be no assurance that we will be able to revert to ethanol production or that

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it will make sense, based on the then-current economic conditions for the production of ethanol, to do so. In September 2012, we announced that we had made the strategic decision to temporarily pause isobutanol production at the Agri-Energy Facility for a period of time during which we may, based on the economic conditions for the production of ethanol, produce ethanol at the Agri-Energy Facility while we focus on optimizing specific parts of our technology to further enhance isobutanol production rates. Even if we are able to revert to ethanol production, the facility may produce ethanol less efficiently or in lower volumes than it did prior to the retrofit and such ethanol production may not generate positive economic returns. If we are unable to produce isobutanol at the volumes, rates and costs that we expect and are unable to revert back to ethanol production at full capacity, we would be unable to match the facility's historical economic performance and our business, financial condition and results of operations would be materially adversely affected.

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

As of the date of this Report, we have produced only limited quantities of isobutanol at commercial scale and we may not be successful in increasing our production from these limited startup production levels to full-scale commercial production levels. The production of isobutanol requires multiple integrated steps, including:

obtaining the plant feedstocks;

treatment with enzymes to produce fermentable sugars;

fermentation by organisms to produce isobutanol from the fermentable sugars;

distillation of the isobutanol to concentrate and separate it from other materials;

purification of the isobutanol; and

storage and distribution of the isobutanol.

Our future success depends on our ability to produce commercial quantities of isobutanol in a timely and economic manner. Our biocatalysts have not yet produced full-scale commercial volumes of isobutanol. While we have produced isobutanol using our biocatalysts at our laboratories in Colorado, at the demonstration facility and at the Agri-Energy Facility, such production was not at full commercial scale and in September 2012, we announced our plan to pause isobutanol production while we focus on optimizing specific parts of our technology to further enhance isobutanol production rates. To date, we have focused the majority of our research and development efforts on producing isobutanol from dextrose and challenges remain in achieving substantial production volumes with other sugars, like corn mash. The risk of contamination and other problems rise as we increase the scale of our isobutanol production. If we are unable to successfully manage these risks, we may encounter difficulties in achieving our target isobutanol production yield, rate, concentration or purity at a commercial scale, which could delay or increase the costs involved in commercializing our isobutanol production. In addition, we have limited experience sourcing large quantities of feedstocks and in storing and/or distributing significant volumes of isobutanol. The technological and logistical challenges associated with each of the processes involved in production, sale and distribution of isobutanol are extraordinary, and we may not be able to resolve any difficulties that arise in a timely or cost effective manner, or at all. Even if we are successful in developing an economical process for converting plant feedstocks into commercial quantities of isobutanol, we may not be able to adapt such process to other biomass raw materials, including cellulosic biomass.

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





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

Our strategy currently includes accessing and retrofitting, either independently or with potential development partners or licensees, existing ethanol facilities for the production of large quantities of isobutanol for commercial distribution and sale. We have acquired one 22 MGPY ethanol production facility and we have acquired access to one 50 MGPY ethanol production facility pursuant to our joint venture with Redfield. However, we may not find future development partners with whom we can implement this growth strategy, and we may not be able to identify facilities suitable for joint venture, acquisition, lease or license.

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

Even if we are able to access and retrofit several facilities, we may fail to access enough capacity to be commercially viable or meet the volume demands or minimum requirements of our customers, including pursuant to definitive supply or distribution agreements that we may enter into, which may subject us to monetary damages. For example, under the terms of our international off-take and distribution agreement with Sasol, we are required to pay certain shortfall fees if we are not able to supply Sasol with certain minimum quantities of product. Failure to acquire access to sufficient capacity in a timely manner and on favorable terms may slow or stop our commercialization process, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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



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Though our retrofit design for the Agri-Energy Facility includes the capability to switch between isobutanol and ethanol production, we may be unable to successfully revert to ethanol production after its retrofit to an isobutanol facility is complete, or the facility may produce ethanol less efficiently or in lower volumes than it did before the retrofit. In addition, we may be unable to secure the necessary regulatory approvals and permits to switch between isobutanol and ethanol production in a timely manner, or at all. Thus, if we fail to achieve commercial levels of isobutanol production at a retrofitted facility, we may be unable to rely on ethanol production as an alternative revenue source, which could have a material adverse effect on our prospects.

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

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

Even if we secure access to sufficient volumes of feedstock, the facilities we retrofit for isobutanol production may fail to perform as expected. The equipment and subsystems installed during the retrofit may never operate as planned. Our systems may prove incompatible with the original facility, or require additional modification after installation. Our biocatalyst may perform less efficiently than it did in testing, if at all. Contamination of plant equipment may require us to replace our biocatalyst more often than expected, or cause our fermentation process to yield undesired or harmful by-products. Likewise, our feedstock may contain contaminants like wild yeast, which naturally ferments feedstock into ethanol. The presence of contaminants, such as wild yeast, in our feedstock could reduce the purity of the isobutanol that we produce and require us to invest in more costly isobutanol separation processes or equipment. Unexpected problems may force us to cease or delay production and the time and costs involved with such delays may prove prohibitive. Any or all of these risks could prevent us from achieving the production throughput and yields necessary to achieve our target annualized production run rates and/or to meet the volume demands or minimum requirements of our customers, including pursuant to definitive supply or distribution agreements that we may enter into, which may subject us to monetary damages. For example, under the terms of our international off-take and distribution agreement with Sasol, we are required to pay certain shortfall fees if we are not able to supply Sasol with certain minimum quantities of product. Failure to achieve these rates or meet these minimum requirements, or achieving them only after significant additional expenditures, could substantially harm our commercial performance.

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

Even if we produce isobutanol at our targeted rates, we may be unable to produce isobutanol that meets customer specifications. We may need to add additional processing steps or incur capital expenditures in order to meet customer specifications which could add significant costs to our production process. If we fail to meet specific product or volume specifications contained in a supply agreement, the customer may have the right to seek an alternate supply of isobutanol and/or terminate the agreement completely, and we could be required to pay shortfall fees or otherwise be subject to damages. For example, under the terms of our international off-take and distribution agreement with Sasol, we are required to meet defined high-purity isobutanol product standards. A failure to successfully meet the specifications of our potential customers could decrease demand, and significantly hinder market adoption of our products.

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

We have very limited experience operating commercial-scale ethanol and isobutanol facilities. Accordingly, we may encounter significant difficulties operating at a commercial scale. We believe that our future facilities will, like the Agri-Energy Facility, be able to continue producing ethanol during much of the retrofit process. We will need to successfully administer and manage this production. Though ICM and the employees of Agri-Energy and Redfield are experienced in the operation of ethanol facilities, and our future development partners or the entities that we acquire may likewise have such experience, we may be unable to manage ethanol-producing operations, especially given the possible complications associated with a simultaneous retrofit. Once we complete a commercial retrofit, operational difficulties may increase, because neither we nor anyone else has significant experience operating a pure isobutanol fermentation facility at a commercial scale. The skills and knowledge gained in operating commercial ethanol facilities or small-scale isobutanol plants may prove insufficient for successful operation of a large-scale isobutanol facility, and we may be required to expend significant time and money to develop our capabilities in isobutanol facility operation. We may also need to hire new employees or contract with third parties to help manage our operations, and our performance will suffer if we are unable to hire qualified parties or if they perform poorly.

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

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isobutanol production, or failure to otherwise manage our growth, may have a material adverse effect on our business, financial condition and results of operations.

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

While we have succeeded in reaching our commercial fermentation performance targets for isobutanol concentration, fermentation productivity and isobutanol yield in laboratory tests, and we have demonstrated the ability to produce isobutanol under the demonstration plant operating conditions and under commercial scale operating conditions at the Agri-Energy Facility, we have not yet accomplished these targets in a commercial plant environment. We are currently optimizing certain specific parts of our isobutanol production technology to enhance our isobutanol production rates at the Agri-Energy Facility. This process, if it succeeds, may take longer or cost more than expected. Our yeast biocatalyst may not be able to meet the commercial performance targets at a commercial-scale retrofitted plant in a timely manner, or ever. In addition, the risk of contamination and other problems may increase at commercial-scale isobutanol production facilities, which could negatively impact our cost of production. If we encounter difficulties in optimizing our production, our commercialization of isobutanol and our business, financial condition and results of operations will be materially adversely affected.

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

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

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

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

No market currently exists for isobutanol as a fuel or fuel blendstock. Therefore, to gain market acceptance and successfully market our isobutanol to refiners, we must effectively demonstrate the commercial advantages of using isobutanol over other biofuels and blendstocks, as well as our ability to produce isobutanol reliably on a commercial scale at a sufficiently low cost. We must show that isobutanol is compatible with existing infrastructure and does not damage pipes, engines, storage facilities or pumps. We must also overcome marketing and lobbying efforts by producers of other biofuels and blendstocks, including ethanol, many of whom may have greater resources than we do. If the markets for isobutanol as a fuel or fuel blendstock do not develop as we currently anticipate, or if we are unable to penetrate these markets successfully, our revenue and revenue growth rate, if any, could be materially and adversely affected.

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

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

Commercialization of our isobutanol will require approvals from state and federal agencies. Before we can sell isobutanol as a fuel or fuel blendstock directly to large petroleum refiners, we must receive EPA fuel certification. We are currently conducting Tier 1 EPA testing, and the approval process may require significant time. Approval can be delayed for years, and there is no guarantee of receiving it. Additionally, California requires that fuels meet both its fuel certification requirements and a separate state low-carbon fuel standard. Any delay in receiving approval will slow or prevent the commercialization of our isobutanol for fuel markets, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

In addition, to retrofit ethanol facilities and operate the retrofitted plants to produce isobutanol, we will need to obtain and comply with a number of permit requirements. As a condition to granting necessary permits, regulators may make demands that could increase our retrofit or operations costs, and permit conditions could also restrict or limit the extent of our operations, which could delay or prevent our commercial production of isobutanol. We cannot guarantee that we will be able to meet all regulatory requirements or obtain and comply with all necessary permits to complete our planned ethanol plant retrofits, and failure to satisfy these requirements in a timely manner, or at all, could have a substantial negative effect on our performance.

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

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

We have engaged in negotiations with a number of companies, and have agreed to preliminary terms regarding supplying isobutanol or the products derived from it to various companies for their use or further distribution, including Toray Industries, LANXESS, Inc. ( LANXESS ), United Airlines, and TOTAL PETROCHEMICALS USA, Inc. However, as of March 31, 2013, we are not party to any final, definitive supply or distribution agreements for our isobutanol, other than our exclusive supply agreement with LANXESS, our international off-take and distribution agreement with Sasol, our commercial off-take agreement with Mansfield, our joint development agreement with Toray Industries, our offtake and marketing agreement with Land O Lakes Purina Feed, LLC, and our contracts from the Defense Logistics Agency. We may be unable to negotiate final terms with other companies in a timely



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

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

We expect that many of our customers will be large companies with extensive experience operating in the fuels or chemicals markets. As a development stage company, we lack commercial operating experience, and may face difficulties in developing marketing expertise in these fields. Our business model relies upon our ability to successfully negotiate and structure long-term supply agreements for the isobutanol we produce. Many of our potential customers may be more experienced in these matters than we are, and we may fail to successfully negotiate these agreements in a timely manner or on favorable terms which, in turn, may force us to slow our production, delay our acquiring and retrofitting of additional plants, dedicate additional resources to increasing our storage capacity and/or dedicate resources to sales in spot markets. Furthermore, should we become more dependent on spot market sales, our profitability will become increasingly vulnerable to short-term fluctuations in the price and demand for petroleum-based fuels and competing substitutes.

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

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

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

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

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



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

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

***Our development strategy relies heavily on our relationship with ICM.***

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

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

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

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

To date, we have funded our operations primarily through equity offerings, issuances of debt, borrowing under our secured debt financing arrangements and revenues earned primarily from the sale of ethanol. Based on our current plans and expectations, we will require additional funding to achieve our goals. In addition, the cost of preparing, filing, prosecuting, maintaining and enforcing patent, trademark and other intellectual property rights and defending against claims by others that we may be violating their intellectual property rights, including the current litigation with Butamax, will be significant. Moreover, our plans and expectations may change as a result of factors currently unknown to

us, and we may need additional funds sooner than planned. We may also choose to seek additional capital sooner than required due to favorable market conditions or strategic considerations.

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

the timing of, and costs involved in developing and optimizing our technologies for commercial-scale production of isobutanol;

the timing of, and costs involved in accessing existing ethanol plants;

the timing of, and costs involved in retrofitting the plants we access with our technologies;

the costs involved in establishing an enhanced yeast seed train;

the cost of operating, maintaining and increasing production capacity of the retrofitted plants;

our ability to negotiate agreements supplying suitable biomass to our plants, and the timing and terms of those agreements;

the timing of, and the costs involved in developing adequate storage facilities for the isobutanol we produce;

our ability to gain market acceptance for isobutanol as a specialty chemical, gasoline blendstock and as a raw material for the production of hydrocarbons;

our ability to negotiate supply agreements for the isobutanol we produce, and the timing and terms of those agreements;

our ability to negotiate sales of our isobutanol for commercial-scale production of butenes and other industrially useful chemicals and fuels, and the timing and terms of those sales;

our ability to sell the iDGs left as a co-product of fermenting isobutanol from corn as animal feedstock;

our ability to establish and maintain strategic partnerships, licensing or other arrangements and the timing and terms of those arrangements; and

the cost of preparing, filing, prosecuting, maintaining, defending and enforcing patent, trademark and other intellectual property claims, including litigation costs and the outcome of such litigation.

Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. If needed funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate:

our research and development activities;

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our plans to access and/or retrofit existing ethanol facilities;

our production of isobutanol at retrofitted plants; and/or

our activities in developing storage capacity and negotiating supply agreements that may be necessary for the commercialization of our isobutanol production.

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

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

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

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

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

Our financial condition and operating results have varied significantly in the past and may continue to fluctuate from quarter to quarter and year to year in the future due to a variety of factors, many of which are beyond our control. Factors relating to our business that may contribute to these fluctuations are described elsewhere in this Report, our Annual Report on Form 10-K for the year ended December 31, 2012, as amended, and other reports that we have filed with the SEC. Accordingly, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

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

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

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

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

The ethanol facilities that we have retrofitted or plan to retrofit to produce isobutanol, including the Agri-Energy Facility in Luverne, Minnesota, and the Redfield Facility in Redfield, South Dakota, use significant amounts of natural gas to produce ethanol. After retrofit with our GIFT<sup>®</sup> technology, these facilities will continue to require natural gas to produce isobutanol. Accordingly, our business is dependent upon natural gas supplied by third parties. Should the price of natural gas increase, our performance could suffer. Likewise, disruptions in the supply of natural gas could have a material impact on our business and results of operations.

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

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

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

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From September 2010 through May 2012, we sold distiller's grains as a co-product from the production of ethanol at the Agri-Energy Facility in Luverne, Minnesota. Similarly, we plan to sell distiller's grains during any period in which the production of isobutanol is temporarily paused and our management decides, based on the then-current economic conditions for the production of ethanol, that the Agri-Energy Facility will be temporarily reverted to ethanol production. We may also sell distiller's grains produced by other ethanol facilities that we acquire, enter into a joint venture or tolling arrangement with, or license to in the future. We also plan to sell the iDGs that will be produced as a co-product of our commercial isobutanol production. Distiller's grains and iDGs compete with other animal feed products, and decreases in the prices of these other products could decrease the demand for and price of distiller's grains and iDGs. Additionally, we have not yet produced commercial iDGs and, as such, there is a risk that our iDGs may not meet market requirements. If the price of distiller's grains and iDGs decreases or our iDGs do not meet market requirements, our revenue from the sale of distiller's grains and future revenue from the sale of iDGs could suffer, which could have a material adverse effect on our financial condition.

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

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

Due to unfavorable weather conditions, corn prices have recently increased significantly. These unfavorable weather conditions led to a smaller than expected corn harvest across affected areas of the U.S. Midwest region in the fall of 2012. This, along with smaller corn carryover in the last two crop years and higher export demand for corn has led to higher corn prices and increased corn price volatility. The price of ethanol has not kept pace with rising corn prices which has resulted in lower and, in some instances negative, operating margins in the ethanol industry. As a result, during the fourth quarter of 2012 our management determined that the production of ethanol at the Agri-Energy Facility would not produce a positive margin versus maintaining the Agri-Energy Facility at idle. During the first quarter of 2013, we did not transition back to ethanol production because we are engaged in activities at the Agri-Energy Facility to optimize specific parts of our technology to further enhance isobutanol production rates. In addition, we currently have an inventory of corn that is not being used while production at the Agri-Energy Facility remains paused. We have opted to sell some of our corn inventory on hand to reduce corn inventory levels. Our sales of corn on the spot market subject us to the risk that corn prices will be even higher when production at the facility resumes. Our inability to rely on ethanol production as an alternative revenue source while we focus on optimizing specific parts of our technology could have a material adverse effect on our business, financial condition and results of operations.

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

The market for biofuels is heavily influenced by foreign, federal, state and local government regulations and policies. For example, in 2007, the U.S. Congress passed an alternative fuels mandate that required nearly 14 billion gallons of liquid transportation fuels sold in 2011 to come from alternative sources, including biofuels, a mandate that grows to 36 billion gallons by 2022. Of this amount, a minimum of 21 billion gallons must be advanced biofuels. The EPA has proposed 2013 volumes of 13.8 billion gallons under this mandate. In the U.S. and in a number of other countries, these regulations and policies have been modified in the past and may be modified again in the future. Any reduction in mandated requirements for fuel alternatives and additives to gasoline may cause demand for biofuels to decline and deter investment in the research and development of biofuels. For example, in December 2011, the U.S. Congress did not renew legislation that extended tax credits to blenders of certain biofuel products and is not likely to renew them retroactively. The absence of tax credits, subsidies and other incentives in the U.S. and foreign markets for biofuels, or any inability of our customers to access such credits, subsidies and incentives, may adversely affect demand for our products which would adversely affect our business. In addition, in December 2011, a U.S. federal court found the State of California's Low Carbon Fuel Standard unconstitutional and the case is currently on appeal in the Ninth Circuit. An affirmation of this ruling could have a negative impact on the demand for advanced biofuels. The resulting market uncertainty regarding this and future standards and policies may also affect our ability to develop new renewable products or to license our technologies to third parties and to sell products to our end customers.





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

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

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

If appropriate opportunities become available, we expect to acquire businesses, assets, technologies or products to enhance our business in the future. In connection with any future acquisitions, we could:

issue additional equity securities which would dilute our current stockholders;

incur substantial debt to fund the acquisitions; or

assume significant liabilities.

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

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

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

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

difficulties negotiating joint venture agreements with favorable terms and establishing relevant performance metrics;

difficulties completing the retrofits of the accessed facilities using our integrated fermentation technology;

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the inability to meet applicable performance targets related to the production of isobutanol;

difficulties obtaining the permits and approvals required to produce and sell our products in different geographic areas;

complexities associated with managing the geographic separation of accessed facilities;

diversion of management attention from ongoing business concerns to matters related to the joint ventures;

difficulties maintaining effective relationships with personnel from different corporate cultures; and

the inability to generate sufficient revenue to offset retrofit costs.

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

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

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

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

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

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

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

Our success will depend in part on our ability to obtain patents and maintain adequate protection of our intellectual property covering our technologies and products and potential products in the U.S. and other countries. We have adopted a strategy of seeking patent protection in the U.S. and in certain foreign countries with respect to certain of the technologies used in or relating to our products and processes. As such, as of March 31, 2013, we exclusively licensed rights to 93 issued patents and filed patent applications in the U.S. and in various foreign jurisdictions, and we owned rights to approximately 380 issued patents and filed patent applications in the U.S. and in various foreign jurisdictions. When and if issued, patents would expire at the end of their term and any patent would only provide us commercial advantage for a limited period of time, if at all. Our patent applications are directed to our enabling technologies and to our methods and products which support our business in the advanced biofuels and renewable chemicals markets. We intend to continue to apply for patents relating to our technologies, methods and products as we deem appropriate.

Only 13 of the patent applications that we have filed in the U.S. or in any foreign jurisdictions, and only certain of the patent applications filed by third parties in which we own rights, have been issued. A filed patent application does not guarantee a patent will issue and a patent issuing does not guarantee its validity, nor does it give us the right to practice the patented technology or commercialize the patented product. Third parties may have or obtain rights to blocking patents that could be used to prevent us from commercializing our products or practicing our technology. The scope and validity of patents and success in prosecuting patent applications involve complex legal and factual questions and, therefore, issuance, coverage and validity cannot be predicted with any certainty. Patents issuing from our filed applications may be challenged, invalidated or circumvented. Moreover, third parties could practice our inventions in secret and in territories where we do not have patent protection. Such third parties may then try to sell or import products made using our inventions in and into the U.S. or other territories and we may be unable to prove that such products were made using our inventions. Additional uncertainty may result from implementation of the Leahy-Smith America Invents Act, enacted in September 2011, as well as other potential patent reform legislation passed by the U.S. Congress and from legal precedent as handed down by the U.S. Court of Appeals for the Federal Circuit and the U.S. Supreme Court, as they determine legal issues concerning the scope, validity and construction of patent claims. Because patent applications in the U.S. and many foreign jurisdictions are typically not published until 18 months after filing, or in some cases not at all, and because publication of discoveries in the scientific literature often lags behind the actual discoveries, there is additional uncertainty as to the validity of any patents that may issue and the potential for blocking patents coming into force at some future date. Accordingly, we cannot ensure that any of our currently filed or future patent applications will result in issued patents, or even if issued, predict the scope of the claims that may issue in our and other companies patents. Given that the degree of future protection for our proprietary rights is uncertain, we cannot ensure that (i) we were the first to make the inventions covered by each of our filed applications, (ii) we were the first to file patent applications for these inventions, (iii) the proprietary technologies we develop will be patentable, (iv) any patents issued will be broad enough in scope to provide commercial advantage and prevent circumvention, and (v) competitors and other parties do not have or will not obtain patent protection that will block our development and commercialization activities.

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

In addition, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our intellectual property is difficult, particularly where, as here, the end products reaching the market generally do not reveal the processes used in their manufacture, and particularly in certain foreign countries where the local laws may not protect our proprietary rights as fully as in the U.S., so we cannot be certain that the steps we have taken in obtaining intellectual property and other proprietary rights will prevent unauthorized use of our technology. If competitors are able to use our technology without our authorization, our ability to compete effectively could be adversely affected. Moreover, competitors and other parties such as universities may independently develop and obtain patents for technologies that are similar to or superior to our technologies. If that happens, the potential competitive advantages provided by our intellectual property may be adversely affected. We may then need to license these competing technologies, and we may not be able to obtain licenses on reasonable terms, if at all, which could cause material harm to our business. Accordingly, litigation may be necessary for us to assert claims of infringement, enforce patents we own or license, protect trade secrets or determine the enforceability, scope and validity of the intellectual property rights of others.



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

As is commonplace in the biotechnology industries, some of our directors, employees and consultants are or have been employed at, or associated with, companies and universities that compete with us or have or will develop similar technologies and related intellectual property. While employed at these companies, these employees, directors and consultants may have been exposed to or involved in research and technology similar to the areas of research and technology in which we are engaged. Though we have not received such a complaint, we may be subject to allegations that we, our directors, employees or consultants have inadvertently or otherwise used, misappropriated or disclosed alleged trade secrets or confidential or proprietary information of those companies. Litigation may be necessary to defend against such allegations and the outcome of any such litigation would be uncertain.

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

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

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

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

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

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

Some of our research has been funded by grants from U.S. government agencies. When new technologies are developed with U.S. government funding, the government obtains certain rights in any resulting patents and technical data, generally including, at a minimum, a nonexclusive license authorizing the government to use the invention or technical data for noncommercial purposes. U.S. government funding must be disclosed in any resulting patent applications, and our rights in such inventions will normally be subject to government license rights, periodic progress reporting, foreign manufacturing restrictions and march-in rights. March-in rights refer to the right of the U.S. government, under certain limited circumstances, to require us to grant a license to technology developed under a government grant to a responsible applicant or, if we refuse, to grant such a license itself. March-in rights can be triggered if the government determines that we have failed to work sufficiently towards achieving practical application of a technology or if action is necessary to alleviate health or safety needs, to meet requirements of federal regulations or to give preference to U.S. industry. If we breach the terms of our grants, the government may gain rights to the intellectual property developed in our related research. The government's rights in our intellectual property may lessen its commercial value, which could adversely affect our performance.





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

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

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

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

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

We rely in part on trade secret protection to protect our confidential and proprietary information and processes. However, trade secrets are difficult to protect. We have taken measures to protect our trade secrets and proprietary information, but these measures may not be effective. We require new employees and consultants to execute confidentiality agreements upon the commencement of an employment or consulting arrangement with us. These agreements generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. These agreements also generally provide that know-how and inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. Nevertheless, these agreements may not be enforceable, our proprietary information may be disclosed, third parties could reverse engineer our biocatalysts and others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position. In addition, an unauthorized breach in our information technology systems may expose our trade secrets and other proprietary information to unauthorized parties.

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

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

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

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



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

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

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

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

Biofuels companies may also provide substantial competition in the hydrocarbon fuels market. With respect to production of renewable gasoline, biofuels competitors are numerous and include both large established companies and numerous start-ups. For example, Virent Energy Systems, Inc. has developed a process for making gasoline and gasoline blendstocks and Kior, Inc. has developed a technology platform to convert biomass into renewable crude oil. Many other competitors may do so as well. In the jet fuel market, we will face competition from companies such as Synthetic Genomics, Inc., Solazyme, Inc., Sapphire Energy, Inc. and Exxon-Mobil Corporation that are pursuing production of jet fuel from algae-based technology. LS9, Inc. (LS9) and others are also targeting production of jet fuels from renewable biomass. We may also face competition from companies working to produce jet fuel from hydrogenated fatty acid methyl esters. In the diesel fuels market, competitors such as Amyris Biotechnologies, Inc. and LS9 have developed technologies for production of alternative hydrocarbon diesel fuel.

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

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



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

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

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

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

***The terms of the Amended Agri-Energy Loan Agreement and the Indenture governing the Convertible Notes may restrict our ability to engage in certain transactions.***

In August 2010, we entered into the Original Agri-Energy Loan Agreement under which our wholly owned subsidiary, Gevo Development, borrowed \$12.5 million to finance its acquisition of Agri-Energy. In October 2011, the Original Agri-Energy Loan Agreement was amended to provide Agri-Energy with additional term loan facilities of up to \$15 million to pay a portion of the costs, expenses, and other amounts associated with the retrofit of the Agri-Energy Facility to produce isobutanol. In October 2011, Agri-Energy borrowed a portion of the New Loan in the amount of \$10.0 million under the Amended Agri-Energy Loan Agreement. On January 6, 2012, Agri-Energy borrowed an additional \$5.0 million under the Amended Agri-Energy Loan Agreement, bringing the total borrowed under the New Loan at March 31, 2013 to \$15.0 million. Pursuant to the terms of the Amended Agri-Energy Loan Agreement, we cannot engage 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 or acquiring or merging with other entities unless we receive the prior approval of TriplePoint. If TriplePoint does not consent to any of the actions that we desire to take, we could be prohibited from engaging in transactions which could be beneficial to our business and our stockholders or could be forced to pay the outstanding balance of the loan in full.

In June 2012, Gevo, Inc. entered into (i) the Security Agreement Amendment and (ii) the Gevo Loan Amendment. In addition, concurrently with the execution of the Security Agreement Amendment and the Gevo Loan Amendment, Agri-Energy entered into an amendment to the Amended Agri Energy Loan Agreement. These amendments, among other things: (i) permitted the issuance of the our Convertible Notes; (ii) removed Agri-Energy's and our options to elect additional interest-only periods upon the achievement of certain milestones (iii) permit Agri-Energy to make dividend payments and distributions to us for certain defined purposes related to the Convertible Notes; (iv) add as an event of default the payment, repurchase or redemption of the Convertible Notes or of amounts payable in connection therewith other than certain permitted payments related to the Convertible Notes; (v) add a negative covenant whereby we may not incur any indebtedness other than as permitted under the Security Agreement; and (vi) add a prohibition on making any Coupon Make-Whole Payments in cash prior to the payment of all remaining outstanding obligations in full under the Amended Agri-Energy Loan Agreement. If we take any of the actions contemplated in the amendments, we could be forced to pay the outstanding balance of the loan in full. If holders of our Convertible Notes undertake their option to convert their notes after January 1, 2013 and before July 1, 2017, and we have amounts of principal outstanding to TriplePoint, any issuances of stock that we make in satisfaction of the Coupon Make-Whole Payments due to such note holders will cause dilution to our existing stockholders. As of March 31, 2013, we have issued 1,540,451 shares of our common stock in satisfaction of these Coupon Make-Whole Payments.



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As of March 31, 2013, the aggregate outstanding principal and final payments under the Amended Agri-Energy Loan Agreement was approximately \$24.0 million.

With respect to the Convertible Notes, if a Fundamental Change (as defined in the Indenture) 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. In addition, if a Fundamental Change occurs prior to the maturity date of the Convertible Notes, we will in some cases be required to increase the conversion rate for a holder that elects to convert its Convertible Notes in connection with such Fundamental Change. In addition, the Indenture prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Convertible Notes. These and other provisions could prevent or deter a third party from acquiring us, even where the acquisition could be beneficial to you.

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

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

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

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

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

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

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

public attitudes about the safety and environmental hazards of, and ethical concerns over, genetic research and genetically engineered products and processes, which could influence public acceptance of our technologies, products and processes;

public attitudes regarding, and potential changes to laws governing ownership of genetic material, which could harm our intellectual property rights with respect to our genetic material and discourage others from supporting, developing or commercializing our products, processes and technologies;

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public attitudes and ethical concerns surrounding production of feedstocks on land which could be used to grow food, which could influence public acceptance of our technologies, products and processes;



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governmental reaction to negative publicity concerning genetically engineered organisms, which could result in greater government regulation of genetic research and derivative products; and

governmental reaction to negative publicity concerning feedstocks produced on land which could be used to grow food, which could result in greater government regulation of feedstock sources.

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

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

***Compliance with stringent laws and regulations may be time consuming and costly, which could adversely affect the commercialization of our biofuels products and related co-products.***

Any biofuels developed using our technologies will need to meet a significant number of regulations and standards, including regulations imposed by the U.S. Department of Transportation, the EPA, the FDA, the FAA, various state agencies and others. Any failure to comply, or delays in compliance, with the various existing and evolving industry regulations and standards could prevent or delay the commercialization of any biofuels developed using our technologies and subject us to fines and other penalties.

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

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

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

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

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

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

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

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an ownership change is subject to limitation on its ability to utilize its pre-change net operating loss carry-forwards, or net operating losses, to offset future taxable income. We may have experienced one or more ownership changes in prior years, and the issuance of shares in connection with our initial public offering may itself have triggered an ownership change; hence, our ability to utilize our net operating losses to offset income if we attain profitability may be limited. In addition, these loss carry-forwards expire at various times over the next 20 years. We believe that it is more likely than not that these carry-forwards will not result in any material future tax savings.

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

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

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

These and other new or changed laws, rules, regulations and standards are, or will be, subject to varying interpretations in many cases due to their lack of specificity. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Our efforts to comply with evolving laws, regulations and standards are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. Further, compliance with new and existing laws, rules, regulations and standards may make it more difficult and expensive for us to maintain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. Members of our board of directors and our principal executive officer and principal financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business. We continually evaluate and monitor regulatory developments and cannot estimate the timing or magnitude of additional costs we may incur as a result of such developments.

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

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002 (Section 404) requires us to evaluate and report on our internal control over financial reporting and have our principal executive officer and principal financial officer certify as to the accuracy and completeness of our financial reports. The process of implementing our internal controls and complying with Section 404 is expensive and time consuming, and requires significant attention of management. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external



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purposes in accordance with generally accepted accounting principles, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations.

Our management has concluded that there are no material weaknesses in our internal controls over financial reporting as of March 31, 2013. However, there can be no assurance that our controls over financial processes and reporting will be effective in the future or that additional material weaknesses or significant deficiencies in our internal controls will not be discovered in the future. If we, or our independent registered public accounting firm, discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price. In addition, a delay in compliance with Section 404 could subject us to a variety of administrative sanctions, including SEC action, ineligibility for short form resale registration, the suspension or delisting of our common stock from the stock exchange on which it is listed and the inability of registered broker-dealers to make a market in our common stock, which would further reduce our stock price and could harm our business.

### **Certain Risks Related to Owning Our Securities.**

***We incurred significant indebtedness when we sold the Convertible Notes and we may incur additional indebtedness in the future. The indebtedness created by the sale of the Convertible Notes and any future indebtedness we incur exposes us to risks that could adversely affect our business, financial condition and results of operations.***

As of March 31, 2013, the aggregate amount of the outstanding principal and final payments under the Amended Agri-Energy Loan from TriplePoint was approximately \$24.0 million. In addition, we incurred \$45 million of senior indebtedness when we sold the Convertible Notes in July 2012. We may also incur additional long-term indebtedness or obtain additional working capital lines of credit to meet future financing needs. Our 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, the Convertible Notes or any indebtedness which we may incur in the future, we would be in default, which would permit the holders of the Convertible Notes and such other indebtedness to accelerate the maturity of the Convertible Notes and such other indebtedness and could cause defaults under the Convertible Notes and such other indebtedness. Any default under the Convertible Notes or such other indebtedness could have a material adverse effect on our business, results of operations and financial condition.

***We may incur substantially more debt or take other actions which would intensify the risks discussed above.***

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 Indenture governing the Convertible Notes. Under the terms of the Indenture governing the Convertible Notes, we will not be restricted from incurring additional debt, securing future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the Indenture governing the Convertible Notes and that could have the effect of diminishing our ability to

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make payments on the Convertible Notes when due. If new debt is added to our or any of our subsidiaries' debt levels, the risks described in this Certain Risks Related to Owning our Securities section could intensify.

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*Our stock price may be volatile, and your investment in our securities could suffer a decline in value. We expect that the trading value of the Convertible Notes will be significantly affected by the price of our common stock.*

The market price of shares of our common stock has experienced significant price and volume fluctuations. For example, since February 19, 2011, when we became a public company, the closing sales price for one share of our common stock has reached a high of \$26.36 and a low of \$1.36. The market price of our common stock, as well as the general level of interest rates and our credit quality, will likely significantly affect the market price of the Convertible Notes. This may result in significantly greater volatility in the trading value of the Convertible Notes than would be expected for nonconvertible debt securities we may issue.

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

actual or anticipated fluctuations in our financial condition and operating results;

the position of our cash and cash equivalents;

actual or anticipated changes in our growth rate relative to our competitors;

actual or anticipated fluctuations in our competitors' operating results or changes in their growth rate;

announcements of technological innovations by us, our partners or our competitors;

announcements by us, our partners or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;

the entry into, modification or termination of licensing arrangements, marketing arrangements, and/or research, development, commercialization, supply, off-take or distribution arrangements;

additions or losses of customers;

additions or departures of key management or scientific personnel;

competition from existing products or new products that may emerge;

issuance of new or updated research reports by securities or industry analysts;

fluctuations in the valuation of companies perceived by investors to be comparable to us;

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litigation involving us, our general industry or both;

disputes or other developments related to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;

changes in existing laws, regulations and policies applicable to our business and products, including the RFS2 program, and the adoption of or failure to adopt carbon emissions regulation;

announcements or expectations of additional financing efforts;

sales of our common stock by us or our stockholders;

share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;

general market conditions in our industry; and

general economic and market conditions, including the recent financial crisis.

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Furthermore, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of shares of our common stock, regardless of our operating performance, and cause the value of your investment to decline. Because the Convertible Notes are convertible into our common stock, volatility or depressed prices of our common stock could have an adverse effect on the trading price of the Convertible Notes. Holders who receive common stock upon conversion of the Convertible Notes also will be subject to the risk of volatility and depressed prices of our common stock. In addition, the existence of the Convertible Notes may encourage short selling in our common stock by market participants because the conversion of the Convertible Notes could depress the price of our common stock.

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

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

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares of common stock intend to sell shares, could reduce the market price of our common stock. Stockholders as of March 31, 2013 who own more than 5% of our outstanding common stock, which consists of four stockholders, collectively own approximately 33% of our outstanding common stock. If one or more of them were to sell a substantial portion of the shares they hold, it could cause our stock price to decline.

In addition, as of March 31, 2013, there were 3.3 million shares subject to outstanding options that are or will become eligible for sale in the public market to the extent permitted by any applicable vesting requirements and Rules 144 and 701 under the Securities Act of 1933, as amended (the Securities Act). Moreover, certain holders of our outstanding common stock (including shares of our common stock issuable upon the exercise of outstanding warrants) have rights, subject to some conditions, to require us to file registration statements covering their shares and to include their shares in registration statements that we may file for ourselves or other stockholders.

We registered 6.8 million shares of common stock, which are reserved for issuance under our stock incentive plans and our employee stock purchase plan. These shares can be freely sold in the public market upon issuance and once vested.

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

The Convertible Notes, which have a principal balance of \$35.8 million at March 31, 2013, bear interest at a rate of 7.5% per year, payable in cash semi-annually in arrears on January 1 and July 1 of each year, commencing in 2013. If a Fundamental Change occurs, holders of the Convertible Notes may require us to repurchase, for cash, all or a portion of their Convertible 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 continue to 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 cash 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 current indebtedness with TriplePoint unless we are able to obtain TriplePoint's consent prior to the taking of such action.



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Our failure to repurchase tendered Convertible Notes at a time when the repurchase is required by the Indenture would constitute a default under the Convertible Notes and would permit holders of the Convertible Notes to accelerate our obligations under the Convertible 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 financing, reduce expenditures or sell assets that we deem necessary to our business. 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.

***Future issuances of our common stock or instruments convertible into our common stock, including in connection with conversions of Convertible Notes, and hedging activities by holders of the Convertible Notes may materially and adversely affect the price of our common stock and the Convertible Notes and cause dilution to our existing stockholders.***

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 may dilute the ownership interests of existing stockholders, and any sales in the public market of any of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. As of March 31, 2013, approximately \$9.2 million in principal amount of our Convertible Notes have been converted in exchange for 1,617,910 shares of our common stock. The anticipated conversion of the remaining approximately \$35.8 million in principal amount of Convertible Notes into shares of our common stock could depress the trading price of our common stock.

Holders of our Convertible Notes that elect to convert some or all of their Convertible Notes on or after January 1, 2013 and prior to July 1, 2017, will be entitled to receive a Coupon Make-Whole Payment for the Convertible Notes being converted. We have the option to issue our common stock to any converting holder in lieu of making the Coupon Make-Whole Payment in cash. If we elect to issue our common stock for such payment, then the stock will be valued at 90% of the simple average of the daily volume weighted average prices of our common stock for the 10 trading days ending on and including the trading day immediately preceding the conversion date. Given that the agreements governing our secured indebtedness with TriplePoint prohibit us from paying, repurchasing or redeeming the Convertible Notes or making cash payments in respect of the Coupon Make-Whole Payment upon a conversion, we may be unable to make such payment in cash. As of March 31, 2013, we have issued 1,540,451 shares of our common stock in satisfaction of these Coupon Make-Whole Payments. If we elect to issue additional shares of our common stock for such payments, this may cause significant additional dilution to our existing stockholders.

In addition, we have a limited number of shares of common stock available for future issuance which may hinder our ability to satisfy the Coupon Make-Whole Payments. If we need to increase the number of our authorized shares of common stock, then under applicable Delaware law and the provisions of our amended and restated certificate of incorporation, such an increase will require the approval of the holders of a majority of our issued and outstanding shares of common stock. No assurance can be provided that we would be able to obtain the requisite vote to increase the number of our authorized shares of common stock. A failure to increase our authorized share capital when needed would adversely affect our ability to satisfy our obligations under the Convertible Notes.

The price of our common stock also could be affected by possible sales of our common stock by investors who view the Convertible Notes as a more attractive means of equity participation in our Company and by hedging or arbitrage trading activity that we expect to develop involving our common stock by holders of the Convertible Notes.

***We may not be permitted, by the agreements governing our secured indebtedness, to repurchase the Convertible Notes.***

If a Fundamental Change occurs, the holders of the Convertible Notes may require us to repurchase all or a portion of their Convertible Notes for cash at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date. However, the agreements governing our secured indebtedness with TriplePoint prohibit us from paying, repurchasing or redeeming the Convertible Notes or any amounts payable in connection with a Fundamental Change or at our option. In the event that a Fundamental Change occurs at a time when we are prohibited from repurchasing the Convertible Notes, we would need to seek the consent of TriplePoint to repurchase the Convertible Notes from the holders or we would otherwise be risking an event of default under our agreements with TriplePoint. If we were unable to obtain such consent, compliance with the terms of the Convertible Notes would trigger an event of default under our indebtedness with TriplePoint.



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*Although the Convertible Notes are referred to as senior notes, the Convertible Notes are unsecured and are effectively subordinated to our secured indebtedness and effectively subordinated to all liabilities of our subsidiaries from time to time outstanding.*

The Convertible Notes are obligations only of Gevo, Inc. and are not guaranteed by our subsidiaries or secured by any of our or their properties or assets. The Convertible Notes are effectively subordinated to all of our existing and future secured indebtedness and effectively subordinated to all existing and future liabilities of our subsidiaries, including trade payables. Our subsidiaries are separate legal entities and have no obligation to pay any amounts due pursuant to the Convertible Notes. Our subsidiaries conduct a significant amount of our business, and may incur significant liabilities in connection with such business. As of March 31, 2013, our subsidiaries had indebtedness and other obligations in the principal amount of approximately \$24.0 million. These amounts of indebtedness structurally rank senior to the Convertible Notes.

In any liquidation, dissolution, bankruptcy or other similar proceeding, holders of our secured debt may assert rights against any assets securing such debt in order to receive full payment of the debt before those assets may be used to pay the holders of the Convertible Notes. In such an event, we may not have sufficient assets remaining to pay amounts due on any or all of the Convertible Notes. At March 31, 2013, on a consolidated basis, we had approximately \$24.0 million in aggregate principal amount of secured indebtedness outstanding. In addition, our senior secured indebtedness to TriplePoint prohibits us from making payments on the Convertible Notes that are not regularly scheduled payments.

*We have made only limited covenants in the Indenture governing the Convertible Notes, and these limited covenants may not protect the value of an investment in the Convertible Notes.*

The Indenture governing the Convertible Notes does not:

require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity and, accordingly, does not protect holders of the Convertible Notes in the event that we experience significant adverse changes in our financial condition or results of operations;

limit our subsidiaries' ability to incur indebtedness that would effectively rank senior to the Convertible Notes;

limit our ability to incur secured indebtedness that would effectively rank senior to the Convertible Notes or indebtedness that is equal in right of payment to the Convertible Notes;

restrict our subsidiaries' ability to issue securities that would be senior to the common stock of our subsidiaries held by us;

restrict our ability to repurchase our securities;

restrict our ability to pledge our assets or those of our subsidiaries; or

restrict our ability to make investments or to pay dividends or make other payments in respect of our common stock or other securities ranking junior to the Convertible Notes.

Furthermore, the Indenture governing the Convertible Notes contains only limited protections in the event of a change in control. We could engage in many types of transactions, such as acquisitions, refinancings or recapitalizations that could substantially affect our capital structure and the value of the Convertible Notes and our common stock but would not constitute a Fundamental Change that permits holders to require us to repurchase their Convertible Notes.

*Holders of Convertible Notes are not entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to such rights.*

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Holders of Convertible Notes are not entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but holders of Convertible Notes will be subject to all changes affecting our common stock. For example, if an amendment is proposed to our amended and restated certificate of incorporation or amended and restated bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to a holder's conversion of its Convertible Notes, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock that result from such amendment.

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***The adjustment to the conversion rate for Convertible Notes converted in connection with a Make-Whole Fundamental Change may not adequately compensate holders of the Convertible Notes for the lost option value of the Convertible Notes as a result of such transaction.***

If a Make-Whole Fundamental Change (as defined in the Indenture) occurs prior to maturity of the Convertible Notes, under certain circumstances, we will increase the conversion rate by a number of additional shares of our common stock for Convertible Notes converted in connection with such Make-Whole Fundamental Change. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction constituting the Make-Whole Fundamental Change becomes effective and the price paid (or deemed paid) per share of our common stock in such transaction. The adjustment to the conversion rate for Convertible Notes converted in connection with a Make-Whole Fundamental Change may not adequately compensate holders of the Convertible Notes for any lost value of the Convertible Notes as a result of such transaction. In addition, if the price of our common stock in the transaction is greater than \$20.00 per share or less than \$4.95 per share (in each case, subject to adjustment), no adjustment will be made to the conversion rate.

Our obligation to increase the conversion rate upon the occurrence of a Make-Whole Fundamental Change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

***The conversion rate of the Convertible Notes may not be adjusted for all dilutive events.***

The conversion rate of the Convertible Notes is subject to adjustment for certain events, including, but not limited to, the issuance of stock dividends on our common stock, the issuance of certain rights, options or warrants, distributions of capital stock, indebtedness, or assets, cash dividends and certain issuer tender or exchange offers. However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of common stock or securities convertible or exercisable into common stock, that may adversely affect the trading price of the Convertible Notes or the consideration issued upon conversion thereof. An event that adversely affects the value of the Convertible Notes may occur, and that event may not result in an adjustment to the conversion rate.

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*Some significant restructuring transactions may not constitute a Fundamental Change, in which case we would not be obligated to offer to repurchase the Convertible Notes.*

Upon the occurrence of a Fundamental Change, holders have the right to require us to repurchase their Convertible Notes. However, the Fundamental Change provisions will not afford protection to holders of Convertible Notes in the event of other transactions that could adversely affect the Convertible Notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us may not constitute a Fundamental Change requiring us to repurchase the Convertible Notes. In the event of any such transaction, holders would not have the right to require us to repurchase their Convertible Notes, even though each of these transactions could increase the amount of our indebtedness or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the value of the Convertible Notes.

*Holders of the Convertible Notes may not be able to accelerate the maturity of the Convertible Notes if we fail to make our SEC filings in a timely manner.*

The Indenture governing the Convertible Notes requires us to furnish our SEC filings to the trustee no more than 15 days after the date on which we would have been required to file them with the SEC. The Indenture also requires us to comply with certain filing requirements as set forth in the Trust Indenture Act of 1939, as amended. However, the Indenture does not require us to file any such reports on a timely basis with the SEC. Accordingly, holders of Convertible Notes may not be able to accelerate the maturity of the Convertible Notes if we fail to make our SEC filings in a timely manner.

*We cannot assure you that an active trading market will be maintained for the Convertible Notes. Holders of the Convertible Notes may be unable to sell their Convertible Notes at the price they desire or at all.*

We do not intend to apply for listing of the Convertible Notes on any securities exchange or to arrange for quotation on any interdealer quotation system. We have been informed by the underwriters that purchased the Convertible Notes that they intend to make a market in the Convertible Notes. However, the underwriters may cease their market-making in their sole discretion at any time without notice. In addition, the liquidity of the trading market in the Convertible Notes, and the market price quoted for these Convertible Notes, may be adversely affected by, among other things:

changes in the overall market for debt securities;

changes in our financial performance or prospects;

the prospects for companies in our industry generally;

the number of holders of the Convertible Notes;

the interest of securities dealers in making a market for the Convertible Notes;

the time remaining to the maturity of the Convertible Notes;

the outstanding amount of the Convertible Notes;

the market price and volatility of our common stock; and

prevailing interest rates.

Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the Convertible Notes will be subject to disruptions that may have a negative effect on holders of the Convertible Notes, regardless of our operating results, financial performance or prospects.

As a result, we cannot assure holders of the Convertible Notes that an active trading market will be maintained for the Convertible Notes. If an active trading market is not maintained, the market price and liquidity of the Convertible Notes may be adversely affected. In that case, investors in the Convertible Notes may not be able to sell the Convertible Notes at a particular time or at a favorable price.

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***Any adverse rating of the Convertible Notes may cause their trading price to fall.***

We do not intend to seek a rating on the Convertible Notes. However, if a rating service were to rate the Convertible Notes and if such rating service were to lower its rating on the Convertible Notes below the rating initially assigned to the Convertible Notes or otherwise announce its intention to put the Convertible Notes on credit watch, the trading price of the Convertible Notes could decline.

***Developments in the convertible debt markets may adversely affect the market value of the Convertible Notes.***

We expect that many investors in, and potential purchasers of, the Convertible Notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the Convertible Notes. Investors that employ a convertible arbitrage strategy with respect to convertible debt instruments typically implement that strategy by selling short the common stock underlying the Convertible Notes and dynamically adjusting their short position while they hold the Convertible Notes. As a result, any specific rules regulating short selling of securities or other governmental action that interferes with the ability of market participants to effect short sales in our common stock could adversely affect the ability of investors in, or potential purchasers of, the Convertible Notes to conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the Convertible Notes. This could, in turn, adversely affect the market price and liquidity of the Convertible Notes.

***Holders of the Convertible Notes may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the Convertible Notes even if they do not receive a corresponding cash distribution.***

The conversion rate of the Convertible Notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, holders of the Convertible Notes may be deemed to have received a dividend subject to U.S. federal income tax even if they have not received any cash. In addition, a failure to adjust (or to adequately adjust) the conversion rate after an event that increases a Convertible Note holder's proportionate interest in our assets and earnings could be treated as a deemed taxable dividend to the Convertible Note holder. If a Make-Whole Fundamental Change occurs prior to the maturity date of the Convertible Notes, under some circumstances, we will increase the conversion rate for Convertible Notes converted in connection with the Make-Whole Fundamental Change. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend.

***We cannot assure our stockholders that our stock repurchase program will enhance long-term stockholder value, and stock repurchases could increase the volatility of the price of our common stock and will diminish our cash availability.***

In January 2013, our board of directors approved a stock repurchase program for up to \$15 million of our common stock over a one-year period. We expect to fund repurchases under the stock repurchase program with cash and cash equivalents on hand. The timing and actual number of shares repurchased will depend on a variety of factors including the timing of open trading windows, price, corporate and regulatory requirements and other market conditions. The program may be suspended or discontinued at any time without prior notice. Repurchases pursuant to our stock repurchase program could affect the price of our common stock and increase its volatility. The existence of our stock repurchase program could also cause the price of our common stock to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our common stock. Additionally, repurchases under our stock repurchase program will diminish our cash reserves, which could impact our ability to further develop our technology, access and/or retrofit additional facilities and service our indebtedness. There can be no assurance that any stock repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased such shares. Any failure to repurchase shares after we have announced our intention to do so may negatively impact our reputation and investor confidence in us and may negatively impact our stock price. Although our stock repurchase program is intended to enhance long-term stockholder value, short-term stock price fluctuations could reduce the program's effectiveness.

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

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws may delay or prevent an acquisition of the Company. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws provide for a board of directors that is divided into three classes with staggered three-year terms, provide that all stockholder action must be effected at a duly called meeting of the stockholders and not by a consent in writing, and further provide that only our board of directors may call a special meeting of the stockholders. These provisions may also frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, who are responsible for appointing the members of our management team. Furthermore, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware



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General Corporation Law, which prohibits, with some exceptions, stockholders owning in excess of 15% of our outstanding voting stock from merging or combining

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with us. Finally, our charter documents establish advance notice requirements for nominations for election to our board of directors and for proposing matters that can be acted upon at stockholder meetings. Although we believe these provisions together provide an opportunity to receive higher bids by requiring potential acquirers to negotiate with our board of directors, they would apply even if an offer to acquire the Company may be considered beneficial by some stockholders.

***Concentration of ownership among our existing officers, directors and principal stockholders may prevent other stockholders from influencing significant corporate decisions and depress our stock price.***

Our affiliates who held our common stock as of March 31, 2013 together control approximately 29% of our outstanding common stock, with a single stockholder, Khosla Ventures I, L.P. and its affiliates, controlling approximately 16% of our outstanding common stock. If these officers, directors and principal stockholders or a group of our principal stockholders act together, they will be able to exert a significant degree of influence over our management and affairs and control matters requiring stockholder approval, including the election of directors and approval of mergers or other business combination transactions. The interests of this concentration of ownership may not always coincide with our interests or the interests of other stockholders. For instance, officers, directors and principal stockholders, acting together, could cause us to enter into transactions or agreements that we would not otherwise consider. Similarly, this concentration of ownership may have the effect of delaying or preventing a change in control of the Company otherwise favored by our other stockholders. This concentration of ownership could depress our stock price.

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

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

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

Under the terms of our Amended Agri-Energy Loan Agreement with TriplePoint, subject to certain limited exceptions, Agri-Energy is only permitted to pay dividends if the following conditions are satisfied: (i) the retrofit of the Agri-Energy Facility is complete and the facility is producing commercial volumes of isobutanol, (ii) its net worth is greater than or equal to \$10 million, and (iii) no event of default has occurred and is continuing under the agreement. Agri-Energy is also permitted to make dividends and distributions to Gevo, Inc. for certain defined purposes related to the Convertible Notes. Accordingly, even if we decide to pay cash dividends in the future, we may not be able to access cash generated by Agri-Energy if amounts are then outstanding pursuant to the Amended Agri-Energy Loan Agreement. We have never paid cash dividends on our common stock and we do not expect to pay cash dividends on our common stock at any time in the foreseeable future. The future payment of dividends directly depends upon our future earnings, capital requirements, financial requirements and other factors that our board of directors will consider. As a result, only appreciation of the price of our common stock, which may never occur, will provide a return to stockholders. Investors seeking cash dividends should not invest in our common stock.

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

Our common stock is listed on the NASDAQ Global Market. In order to maintain that listing, we must satisfy minimum financial and other continued listing requirements and standards. There can be no assurances that we will be able to comply with applicable listing standards. In the event that our common stock is not eligible for quotation on another market or exchange, trading of our common stock could be conducted in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely also 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.

**Table of Contents****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.***Sales of Unregistered Securities*

On March 14, 2013, because we had not completed milestone number four under our license agreement with Cargill as of December 2012, we paid a \$0.5 million license fee to Cargill to satisfy the terms of milestone number four under the license agreement. This fee was paid through the issuance of 250,000 shares of our common stock to Cargill. The offer and sale of the shares were exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act) pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. The only consideration that we received in the transaction was the satisfaction of our obligation under the license agreement with Cargill.

*Use of Proceeds from Public Offering of Common Stock*

None.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

Exhibit Number	Description	Previously Filed			Exhibit	Filed Herewith
		Form	File No.	Filing Date		
2.1 *	Acquisition Agreement by and among Gevo Development, LLC, Agri-Energy, LLC, Agri-Energy Limited Partnership, CORN-er Stone Ethanol Management, Inc. and CORN-er Stone Farmers Cooperative, dated August 5, 2010.	S-1	333-168792	November 4, 2010	2.1	
2.2*	Equity Purchase Agreement, by and among Gevo, Inc., CDP Gevo, LLC, Gevo Development, LLC, Michael A. Slaney and David N. Black, dated August 5, 2010.	S-1	333-168792	October 1, 2010	2.2	
3.1	Amended and Restated Certificate of Incorporation of Gevo, Inc.	10-K	001-35073	March 29, 2011	3.1	
3.2	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	

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Exhibit Number	Description	Previously Filed			Exhibit	Filed Herewith
		Form	File No.	Filing Date		
4.2	Fifth Amended and Restated Investors Rights Agreement, dated March 26, 2010.	S-1	333-168792	August 12, 2010	4.2	
4.3	Stock Issuance and Stockholder s Rights Agreement, by and between Gevo, Inc. and California Institute of Technology, dated July 12, 2005.	S-1	333-168792	August 12, 2010	4.3	
4.4	Amended and Restated Warrant to purchase shares of Common Stock issued to CDP Gevo, LLC, dated September 22, 2010.	S-1	333-168792	October 1, 2010	4.4	
4.5	Warrant to purchase shares of Preferred Stock, issued to Virgin Green Fund I, L.P., dated January 18, 2008.	S-1	333-168792	August 12, 2010	4.10	
4.6	Plain English Warrant Agreement No. 0647-W-01, by and between Gevo, Inc. and TriplePoint Capital LLC, dated August 5, 2010.	S-1	333-168792	October 1, 2010	4.11	
4.7	Plain English Warrant Agreement No. 0647-W-02, by and between Gevo, Inc. and TriplePoint Capital LLC, dated August 5, 2010.	S-1	333-168792	October 1, 2010	4.12	
4.8	Plain English Warrant Agreement No. 0647-W-03, by and between Gevo, Inc. and TriplePoint Capital LLC, dated October 20, 2011.	8-K	001-35073	October 26, 2011	10.7	
4.9	Indenture, dated as of July 5, 2012, between Gevo, Inc. and Wells Fargo Bank, National Association, as trustee	8-K	001-35073	July 5, 2012	4.1	
4.10	First Supplemental Indenture, dated as of July 5, 2012, to the Indenture dated as of July 5, 2012, by and among Gevo, Inc. and Wells Fargo Bank, National Association, as trustee	8-K	001-35073	July 5, 2012	4.2	
31.1	Section 302 Certification of the Principal Executive Officer.					X
31.2	Section 302 Certification of the Principal Financial Officer.					X
32.1	Section 906 Certification of the Principal Executive Officer and Principal Financial Officer.					X

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Exhibit Number	Description	Previously Filed			Filed Herewith
		Form	File No.	Filing Date	
101#	Financial statements from the Quarterly Report on Form 10-Q of Gevo, Inc. for the quarterly period ended March 31, 2013, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to the Consolidated Financial Statements.				X

- \* Certain schedules and exhibits referenced in this document have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC upon request. Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the SEC.
- # Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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**SIGNATURES**

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

Gevo, Inc.

By: /s/ MARK SMITH  
Mark Smith

*Chief Financial Officer*

*(Principal Financial and Accounting Officer)*

Date: May 6, 2013