UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

or

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

Commission file number 001-35073

GEVO, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**87-0747704**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

345 Inverness Drive South, Building C, Suite 310
Englewood, CO 80112
(303) 858-8358
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of October 25, 2011, 26,066,636 shares of the registrant's common stock were outstanding.

GEVO, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GEVO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 97,605,000	$ 15,274,000
Accounts receivable	2,749,000	2,830,000
Inventories	4,974,000	3,765,000
Prepaid expenses and other current assets	1,287,000	1,040,000
Derivative asset	1,370,000	361,000
Margin deposit	—	624,000
Total current assets	107,985,000	23,894,000
PROPERTY, PLANT AND EQUIPMENT—Net	24,372,000	23,465,000
DEFERRED OFFERING COSTS	—	3,152,000
DEBT ISSUE COSTS	692,000	929,000
DEPOSITS AND OTHER ASSETS	130,000	169,000
TOTAL	$ 133,179,000	$ 51,609,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 10,219,000	$ 7,903,000
Current portion of secured long-term debt—Net of $174,000 and $113,000 discount at September 30, 2011 and December 31, 2010, respectively	1,747,000	1,785,000
Derivative liability	—	405,000
Fair value of warrant liabilities	—	2,034,000
Total current liabilities(*)	11,966,000	12,127,000
SECURED LONG-TERM DEBT—Net of $1,045,000 and $1,493,000 discount, less current portion, at September 30, 2011 and December 31, 2010, respectively	17,671,000	18,647,000
OTHER LIABILITIES	247,000	876,000
Total liabilities	29,884,000	31,650,000
COMMITMENTS AND CONTINGENCIES (Note 17)		
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $0.01 par value per share; none and 15,246,000 shares authorized at September 30, 2011 and December 31, 2010, respectively; none and 14,613,602 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively; aggregate liquidation preference of $0 and $90,660,000 at September 30, 2011 and December 31, 2010, respectively	—	146,000
Preferred stock, $0.01 par value per share; 5,000,000 and no shares authorized at September 30, 2011 and December 31, 2010, respectively; none issued and outstanding at September 30, 2011 and December 31, 2010, respectively	—	—
Common stock, $0.01 par value per share; 100,000,000 and 30,000,000 shares authorized at September 30, 2011 and December 31, 2010, respectively; 25,986,237 and 1,160,657 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	260,000	12,000
Additional paid-in capital	223,510,000	105,128,000
Deficit accumulated during development stage	(120,475,000)	(85,327,000)
Total stockholders' equity	103,295,000	19,959,000
TOTAL	$ 133,179,000	$ 51,609,000

* Liabilities of Gevo, Inc.'s consolidated subsidiaries for which creditors do not have recourse to the general credit of Gevo, Inc. were $2,796,000 and $4,785,000 at September 30, 2011 and December 31, 2010, respectively, and are recorded within current liabilities.

See notes to condensed consolidated financial statements

GEVO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		From June 9, 2005 (Date of Inception) To September 30,
	2011	2010	2011	2010	2011
REVENUES:					
Ethanol sales and related products, net	$ 17,318,000	$ 975,000	$ 46,748,000	$ 975,000	$ 61,513,000
Licensing revenue	—	138,000	—	138,000	138,000
Grant revenue	188,000	383,000	572,000	1,175,000	3,308,000
Total revenues	17,506,000	1,496,000	47,320,000	2,288,000	64,959,000
COST OF GOODS SOLD	(16,232,000)	(856,000)	(45,062,000)	(856,000)	(58,508,000)
GROSS MARGIN	1,274,000	640,000	2,258,000	1,432,000	6,451,000
OPERATING EXPENSES:					
Research and development	(5,211,000)	(3,554,000)	(13,815,000)	(11,432,000)	(51,281,000)
Selling, general and administrative	(7,587,000)	(11,601,000)	(20,001,000)	(19,114,000)	(61,436,000)
Lease termination costs	—	—	—	—	(894,000)
Loss on abandonment or disposal of assets	—	—	(11,000)	—	(354,000)
Total operating expenses	(12,798,000)	(15,155,000)	(33,827,000)	(30,546,000)	(113,965,000)
LOSS FROM OPERATIONS	(11,524,000)	(14,515,000)	(31,569,000)	(29,114,000)	(107,514,000)
OTHER (EXPENSE) INCOME:					
Interest and other expense	(798,000)	(779,000)	(2,541,000)	(1,448,000)	(7,543,000)
Interest and other income	17,000	38,000	85,000	96,000	721,000
Loss from change in fair value of warrant liabilities	—	(2,052,000)	(29,000)	(3,302,000)	(2,852,000)
Other expense—net	(781,000)	(2,793,000)	(2,485,000)	(4,654,000)	(9,674,000)
NET LOSS	(12,305,000)	(17,308,000)	(34,054,000)	(33,768,000)	(117,188,000)
Deemed dividend—amortization of beneficial conversion feature on Series D-1 preferred stock	—	(989,000)	(1,094,000)	(1,789,000)	(3,872,000)
NET LOSS ATTRIBUTABLE TO GEVO, INC. COMMON STOCKHOLDERS	$(12,305,000)	$(18,297,000)	$(35,148,000)	$(35,557,000)	$ (121,060,000)
Net loss per share attributable to Gevo, Inc. common stockholders—basic and diluted	$ (0.48)	$ (15.87)	$ (1.61)	$ (31.12)	
Weighted-average number of common shares outstanding—basic and diluted	25,870,060	1,152,839	21,866,633	1,142,498	

See notes to condensed consolidated financial statements

GEVO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Cumulative Amounts From June 9, 2005 (Date of Inception) to September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (34,054,000)	$(33,768,000)	$(117,188,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	3,372,000	2,173,000	9,064,000
Stock-based compensation	4,897,000	9,250,000	16,617,000
Stock expense for shares issued pursuant to license agreements	—	—	10,000
Noncash interest expense and amortization of debt discounts and debt issue costs to noncash interest expense	625,000	573,000	2,778,000
Loss from change in fair value of warrant liabilities	29,000	3,302,000	2,852,000
Loss (gain) from change in derivative	(1,414,000)	(70,000)	(1,975,000)
Loss on abandonment or disposal of fixed assets	11,000	—	354,000
Changes in operating assets and liabilities (net of effects of acquisition):			
Accounts receivable	81,000	(219,000)	(750,000)
Prepaid expenses and other current assets	(535,000)	146,000	(652,000)
Inventories	(1,209,000)	522,000	(1,404,000)
Margin deposit	624,000	(13,000)	892,000
Deposits and other assets	—	1,000	(90,000)
Accounts payable, accrued expenses, and long-term liabilities	1,813,000	2,233,000	7,975,000
Net cash used in operating activities	(25,760,000)	(15,870,000)	(81,517,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of property, plant and equipment	(3,580,000)	(472,000)	(11,820,000)
Acquisition of Agri-Energy, net of cash acquired	—	(24,378,000)	(24,936,000)
Proceeds from the sale of property and equipment	—	—	5,000
Restricted certificate of deposit	40,000	40,000	(79,000)
Net cash used in investing activities	(3,540,000)	(24,810,000)	(36,830,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock (excluding our initial public offering)	21,000	16,000	43,000
Proceeds from issuance of convertible preferred stock	—	31,564,000	86,025,000
Proceeds from issuance of convertible promissory notes with warrant	—	—	3,000,000
Proceeds from issuance of secured long-term debt	—	17,500,000	26,578,000
Proceeds from issuance of warrants	—	—	1,000
Proceeds from exercise of warrants	—	592,000	592,000
Payments on secured long-term debt	(1,402,000)	(5,250,000)	(7,795,000)
Proceeds from issuance of common stock in initial public offering, net of underwriting discounts and commissions	114,704,000	—	114,704,000
Deferred offering costs	(1,692,000)	(1,351,000)	(4,296,000)
Debt issue costs	—	(962,000)	(1,033,000)
Payment of stock issuance costs	—	(153,000)	(1,867,000)
Net cash provided by financing activities	111,631,000	41,956,000	215,952,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	82,331,000	1,276,000	97,605,000
CASH AND CASH EQUIVALENTS:			
Beginning of period	15,274,000	21,240,000	—
Ending of period	$ 97,605,000	$ 22,516,000	$ 97,605,000

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Cumulative Amounts From June 9, 2005 (Date of Inception) to September 30, 2011
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS—Investing and financing:			
Conversion of preferred stock warrants to common stock warrants upon initial public offering and reclassification of related liability to additional paid-in capital	$ 2,063,000	$ —	$ 2,063,000
Warrants issued with secured long-term debt	$ —	$ 177,000	$ 749,000
Warrants issued with convertible promissory notes	$ —	$ —	$ 505,000
Promissory notes and accrued interest converted to Series C preferred stock	$ —	$ —	$ 3,043,000
Issuance of common stock pursuant to license agreements	$ —	$ —	$ 10,000
Issuance of Series C preferred stock upon exercise of warrant (amount reclassified from liability to equity)	$ —	$ 1,458,000	$ 1,458,000
Issuance of Series D-1 preferred stock to ICM, Inc. in exchange for a credit against future services	$ —	$ 1,000,000	$ 1,000,000
Deemed dividend—amortization of beneficial conversion feature on Series D-1 preferred stock	$ 1,094,000	$ 1,789,000	$ 3,872,000
Reclassified deferred offering costs to additional paid-in capital upon initial public offering	$ 4,296,000	$ —	$ 4,296,000
Accrued Agri-Energy acquisition payments	$ —	$ 642,000	$ —
Capital asset additions in accounts payable and accrued expenses	$ 648,000	$ 313,000	$ 648,000
Capital asset additions acquired using prepaid credit with ICM, Inc.	$ 288,000	$ 78,000	$ 726,000
Accrued debt issue costs	$ —	$ 71,000	$ —
Accrued deferred offering costs	$ —	$ 1,229,000	$ —
SUPPLEMENTAL CASH FLOW DISCLOSURE—Cash paid for interest, net of amounts capitalized	$ 1,766,000	$ 771,000	$ 4,456,000

See notes to condensed consolidated financial statements

GEVO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Nature of Business and Significant Accounting Policies

Nature of Business—Gevo, Inc. (together with its subsidiaries, the "Company") is a renewable chemicals and advanced 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. Gevo, Inc. formed Gevo Development, LLC ("Gevo Development") on September 18, 2009 to finance and develop biorefineries through joint venture or direct acquisition (Note 6). Gevo Development became a wholly owned subsidiary of the Company on September 22, 2010. Gevo Development purchased all of the membership interests of Agri-Energy, LLC and certain assets of Agri-Energy Limited Partnership (collectively referred to as "Agri-Energy") on September 22, 2010 (Note 2). Agri-Energy, a wholly owned subsidiary of Gevo Development, is currently engaged in the business of producing and selling ethanol and related products produced at its ethanol plant located in Luverne, Minnesota. The retrofit of the Luverne, Minnesota facility to the production of isobutanol is currently underway and is expected to be completed in the first half of 2012.

On February 14, 2011, the Company completed its 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 $110,408,000, after deducting underwriting discounts and commissions of $8,634,000 and other offering costs of $4,296,000. Upon the closing of the initial public offering, the Company's outstanding shares of convertible preferred stock were automatically converted into 16,329,703 shares of common stock and the outstanding convertible preferred stock warrants were automatically converted into common stock warrants to purchase a total of 398,032 shares of common stock.

At September 30, 2011, the Company is considered to be in the development stage as its primary activities, since incorporation, have been conducting research and development, business development, business and financial planning, establishing its facilities, recruiting personnel and raising capital. Successful completion of the Company's research and development program, and 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, market acceptance and demand for its products and services, and attracting and retaining qualified personnel.

Following the Company's acquisition of Agri-Energy on September 22, 2010, the Company began recording revenue from the sale of ethanol and related products. 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 revenue from the sale of isobutanol or other products that are or will become the Company's intended business.

Financial Condition—The Company's condensed 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 nine months ended September 30, 2011, the Company incurred a consolidated net loss of $34,054,000 and had an accumulated deficit of $120,475,000. The Company expects to incur future net losses as it continues to fund the development and commercialization of its product candidates.

The Company has funded its activities since inception primarily through private placements of convertible preferred stock, the issuance of convertible and nonconvertible debt and proceeds raised through its initial public offering. The Company expects to obtain funding through additional equity offerings and issuance of debt until it achieves positive cash flow from operations. The Company's cash and cash equivalents at September 30, 2011 totaled $97,605,000. Management expects that cash on hand will provide the Company with adequate funding for at least the next 12 months. 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. The accompanying condensed consolidated financial statements do not include any adjustments that may result from the Company's inability to raise sufficient funds or achieve profitability.

A summary of the Company's significant accounting policies is as follows:

Basis of Presentation—The accompanying interim condensed consolidated financial statements are unaudited. These interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and the applicable rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's annual report on Form 10-K for the year ended December 31, 2010 filed with the SEC. The December 31, 2010 condensed consolidated balance sheet included herein was derived from the audited

financial statements as of that date, but does not include all disclosures including notes required by GAAP for complete financial statements.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments considered necessary to present fairly the Company's interim financial information. The interim results presented are not necessarily indicative of the results that may be expected for the full year or for any future year or interim period.

Principles of Consolidation—The condensed consolidated financial statements include the accounts of Gevo, Inc., Gevo Development and Agri-Energy. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Risks and Uncertainties—The Company's operations are subject to certain risks and uncertainties, including those associated with the ability to meet obligations, continuing losses, negative cash flow from operations, fluctuations in operating results, fluctuations in prices of corn, distiller's grains, natural gas liquids and ethanol, funding expansion, strategic alliances, managing growth and expansion, acquiring access to or ownership of production assets, financing arrangement terms that may restrict operations, government regulations and regulatory requirements, development by the Company's competitors of new technological innovations, protection of proprietary technology, the economy, technology trends, completion of its development activities resulting in commercial products and/or technology, and evolving industry standards.

Cash and Cash Equivalents—The Company considers all highly liquid investments purchased with a remaining maturity of three months or less at the date of acquisition to be cash equivalents. The Company maintains its cash in bank deposits that at times exceed federally insured limits.

Deferred Offering Costs—Deferred offering costs include costs directly attributable to the Company's offering of its equity securities. These costs are deferred and capitalized and are charged against the proceeds of the offering.

Debt Issue Costs and Debt Discount—Debt issue costs are costs incurred in connection with the Company obtaining financing that have been capitalized and are being amortized over the stated maturity period of the related debt, using the effective interest method. Debt discounts incurred with the issuance of long-term debt are amortized to interest expense over the terms of the debt using the effective interest method and are recorded on the condensed consolidated balance sheets as a reduction to long-term debt.

Accounts Receivable—The Company records receivables for products shipped but for which payment has not yet been received. As of September 30, 2011 and December 31, 2010, no allowance for doubtful accounts has been recorded, based upon the expected full collection of the accounts receivable. Substantially all ethanol sold through Agri-Energy from the date of acquisition through September 30, 2011 was sold to C&N Ethanol Marketing ("C&N"). Accounts receivable from C&N made up 54% and 56% of the Company's total accounts receivable balance at September 30, 2011 and December 31, 2010, respectively.

Inventories—Corn, ethanol, distiller's grains, enzymes and other inventory items are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method. Ethanol inventory cost consists of the applicable share of raw material, direct labor and manufacturing overhead costs.

Revenue Recognition—The Company records revenue from the sale of ethanol and related products. The Company recognizes revenue when all of the following criteria are satisfied: persuasive evidence of an arrangement exists; risk of loss and title transfer to the customer; the price is fixed or determinable; and collectability is reasonably assured. Ethanol and related products are generally shipped free on board shipping point. Collectability of revenue is reasonably assured based on historical evidence of collectability between the Company and its customers.

In accordance with the Company's agreements for the marketing and sale of ethanol and related products, commissions due to marketers are deducted from the gross sales price at the time payment is remitted to the Company. Ethanol and related products sales are recorded net of commissions.

Revenue related to government research grants and cooperative agreements is recognized in the period during which the related costs are incurred, provided that the conditions under the awards have been met and only perfunctory obligations are outstanding.

Cost of Goods Sold—Cost of goods sold includes costs for materials, direct labor and certain plant overhead costs. Direct materials consist of the costs of corn feedstock, denaturant and process chemicals. Direct labor includes compensation of non-management personnel involved in the operation of the ethanol plant. 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. The Company purchases natural gas to power steam generation in the ethanol production process and to dry the distiller's grains. Cost of goods sold also includes net gains or losses from derivatives relating to corn and natural gas which do not qualify for the normal purchases and normal sales scope exception to fair value accounting.

Investment in Commodities Contracts, Derivative Instruments and Hedging Activities—The Company enters into forward purchase contracts for corn and natural gas as a means of securing corn and natural gas used in ethanol production. These transactions are considered to be derivatives and, prior to January 1, 2011, were recorded on the balance sheet as assets and liabilities based on each derivative's fair value. The changes in the fair value of these derivative contracts were recognized in income as a component of cost of goods sold. Effective January 1, 2011, the Company designates all of its forward purchase contracts for corn and natural gas under the normal purchases and normal sales scope exception and therefore they will no longer be marked to market. To qualify for the normal purchases and normal sales scope exception, a contract must provide for the purchase or sale of commodities in quantities that are expected to be used or sold over a reasonable period of time in the normal course of operations. The Company also enters into exchange-traded futures contracts for corn as a means of managing exposure to changes in corn prices. These transactions are considered to be derivatives and are recorded on the balance sheet as assets and liabilities based on the derivative's fair value. Changes in the fair value of the derivative contracts are recognized currently in income unless specific hedge accounting criteria are met. The Company has not designated any of its derivatives as hedges for financial reporting purposes.

Property, Plant and Equipment—Property, plant and equipment are recorded at cost less accumulated depreciation. Provisions for depreciation and amortization are computed using the straight-line method over the assets' estimated useful lives, except for the Company's demonstration plant equipment and capitalized costs, which are depreciated over the remaining contractual term of the development agreement, as amended, with ICM, Inc. ("ICM") which ends December 31, 2011 (Note 5). Leasehold improvements are amortized over the term of the lease agreement or the service lives of the improvements, whichever is shorter. Assets under construction are depreciated when they are placed into service. Maintenance and repairs are charged to expense as incurred and expenditures for major improvements are capitalized. When assets are retired or otherwise disposed of, the property accounts are relieved of costs and accumulated depreciation and any resulting gain or loss is credited or charged to operations. Capitalized interest on construction in progress is included in property, plant and equipment.

Impairment of Long-Lived Assets—The Company periodically evaluates the recoverability of its long-lived assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, *Property, Plant, and Equipment*, and, if appropriate, reduces the carrying value whenever events or changes in business conditions indicate the carrying amount of the assets may not be fully recoverable. Recognition of impairment of long-lived assets is made in the event the carrying value of such assets exceeds the fair value. The carrying amount may not be recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. The Company considered various factors when determining if these assets should be evaluated for impairment. The Company has not yet generated positive cash flows from operations, and such cash flows may not materialize for a significant period in the future, if ever. Additionally, the Company may make changes to its business plan that will result in changes to the expected cash flows from long-lived assets. As a result, it is possible that future evaluations of long-lived assets may result in impairment. No impairment charges have been recorded during the period from June 9, 2005 (date of inception) to September 30, 2011.

Patents—All costs related to filing and pursuing patent applications are expensed as incurred as recoverability of such expenditures is uncertain. Patent-related legal expenses incurred and recorded as selling, general and administrative expense during the three months ended September 30, 2011 and 2010, and for the period from June 9, 2005 (date of inception) to September 30, 2011, were $563,000, $244,000 and $4,017,000, respectively. Patent-related legal expenses incurred and recorded as selling, general and administrative expense during the nine months ended September 30, 2011 and 2010 were $1,053,000 and $638,000, respectively.

Beneficial Conversion Feature—The Company had recorded a beneficial conversion feature relating to the issuance of Series D-1 preferred stock between March and May 2010 (Note 10). The beneficial conversion feature was recorded as a discount to the Series D-1 preferred stock and was being amortized to retained earnings through September 30, 2011, unless converted earlier. On February 14, 2011, upon completion of the Company's initial public offering, the shares of Series D-1 preferred stock automatically converted to common stock at a rate of 1.9022 shares of common stock for each share of Series D-1 preferred stock.

Research and Development—Research and development costs are expensed as incurred and are recorded as research and development expense in the condensed consolidated statements of operations. The Company's research and development costs consist of expenses incurred to identify, develop, and test its technologies for the production of isobutanol and the development of downstream applications thereof. Research and development expense includes personnel costs, consultants and related contract research, facility costs, supplies, depreciation on property, plant and equipment used in development, license fees and milestone payments paid to third parties for use of their intellectual property and patent rights, and other direct and allocated expenses incurred to support the Company's overall research and development programs.

Income Taxes—The Company accounts for income taxes under FASB ASC 740, *Income Taxes*. Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying balance sheets, as well as operating loss carryforwards. Deferred tax assets are reduced by a valuation allowance if current evidence indicates that it is considered more likely than not that these benefits will not be realized (Note 14). At September 30, 2011 and December 31, 2010, the Company had no material unrecognized tax benefits and had no accrued interest or penalties related to uncertain tax positions. The Company classifies interest and penalties arising from the underpayment of income taxes in the condensed consolidated statements of operations as income tax expense.

Stock-Based Compensation—The Company accounts for stock-based compensation for awards to employees in accordance with FASB ASC 718, *Compensation-Stock Compensation*. Under the provisions of FASB ASC 718, stock-based compensation for awards to employees is measured at the grant date based on the fair value of the awards and is recognized as expense over the required service period of the award. The Company estimates the fair value of stock options issued to employees using the Black–Scholes option-pricing model.

The Company accounts for stock-based awards to nonemployees using a fair value method in accordance with FASB ASC 718 and FASB ASC 505-50, *Equity-Equity-Based Payments to Non-Employees*. The Company determines the estimated fair value of stock options issued to nonemployees using the Black–Scholes option-pricing model. The fair values of the stock options and stock-based awards granted to nonemployees are remeasured as the services are performed and the awards vest, and the resulting change in value, if any, is recognized as expense during the period the related services are rendered.

Concentrations of Credit Risk—The Company's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents in excess of the federally insured limits. The Company's cash and cash equivalents are deposited with high credit quality financial institutions and are primarily in demand deposit accounts. Substantially all ethanol sold through Agri-Energy from the date of acquisition through September 30, 2011 was sold to C&N.

Fair Value Measurements and Fair Value of Financial Instruments—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.

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As of September 30, 2011 and December 31, 2010, there were no transactions measured at fair value on a nonrecurring basis. The following table shows assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010, and the input categories associated with those assets and liabilities.

	Fair Value as of September 30, 2011	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Assets—Exchange-traded derivatives	$ 1,370,000	$1,370,000	$ —	$ —

	Fair Value as of December 31, 2010	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Liabilities—Fair value of warrant liabilities	$ (2,034,000)	$ —	$ —	$(2,034,000)
Liabilities—Exchange-traded derivatives	$ (405,000)	$ (405,000)	$ —	$ —
Assets—Forward purchase contracts for corn	$ 361,000	$ —	$361,000	$ —

The changes in Level 3 liabilities measured at fair value on a recurring basis for the three and nine months ended September 30, 2011 and 2010 are as follows:

	Fair Value of Warrant Liabilities
Liabilities:	
Balance—December 31, 2010	$ 2,034,000
Change in fair value of warrants	29,000
Conversion of preferred stock warrants to common stock warrants and reclassification of related liability to additional paid-in-capital (February 14, 2011)	(2,063,000)
Balance—June 30, 2011	$ —
Change in fair value of warrants	—
Balance—September 30, 2011	$ —

	Fair Value of Warrant Liabilities
Liabilities:	
Balance—December 31, 2009	$ 982,000
Change in fair value of warrants	1,250,000
Balance—June 30, 2010	$ 2,232,000
Change in fair value of warrants	2,052,000
Initial measurement of warrants issued during the period	177,000
Warrants exercised during the period and liability reclassified to additional paid-in-capital	(1,458,000)
Balance—September 30, 2010	$ 3,003,000

The carrying value of cash and cash equivalents, receivables, and accounts payable approximate their respective fair values due to the short-term nature of these instruments. Based on borrowing rates which management believes would currently be available to the Company for similar issues of debt, taking into account the current credit risk of the Company and other market factors, the carrying value of the Company's debt obligations approximate their fair value.

The fair value of exchange-traded derivative instruments is based on quoted market prices. The fair value of forward purchase contracts for corn is based upon 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. Contracts which qualify for the normal purchases and normal sales scope exception to fair value accounting are not marked to market in the financial statements. Effective January 1, 2011, the Company designates all of its forward purchase contracts for corn and natural gas under the normal purchases and normal sales scope exception and therefore they will no longer be marked to market.

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Prior to its initial public offering, the Company had derivative liabilities relating to its preferred stock warrants. These derivative instruments were not originally entered into as hedging activities. The estimated fair value of the preferred stock warrant liabilities were revalued at each balance sheet date, with changes in value recorded as other income or expense in the condensed consolidated statements of operations (Note 11).

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.

Environmental Liabilities—The Company's operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which it operates. These laws require the Company to investigate and remediate the effects of the release or disposal of materials at its locations. Accordingly, the Company has adopted policies, practices and procedures in the areas of pollution control, occupational health and the production, handling, storage and use of hazardous materials to prevent material environmental or other damage, and to limit the financial liability which could result from such events. Environmental liabilities are recorded when the Company's liability is probable and the costs can be reasonably estimated. No environmental liabilities have been recorded as of September 30, 2011 and December 31, 2010.

Net Loss 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 net loss per share is computed by dividing net loss attributable to Gevo, Inc. common stockholders for the period by the weighted-average number of dilutive common shares outstanding during the period. Dilutive shares outstanding are calculated by adding to the weighted shares outstanding any potential (unissued) shares of common stock and warrants based on the treasury stock method.

Diluted net loss per share is the same as basic net loss per share for all periods presented because any potentially dilutive common shares were anti-dilutive. Such potentially dilutive shares are excluded from the computation of diluted net loss per share when the effect would be to reduce net loss per share. Therefore, in periods when a loss is reported, the calculation of basic and dilutive loss per share results in the same value.

The following potentially dilutive securities were excluded from the calculation of diluted net loss per share during each period as the effect was anti-dilutive:

	September 30, 2011	September 30, 2010
Convertible preferred stock upon conversion to common stock (on an as-converted basis)(1)	—	16,329,665
Warrants to purchase convertible preferred stock (on an as-converted basis)(1)	—	303,173
Warrants to purchase common stock (at period-end)	1,086,785	858,000
Outstanding stock options to purchase common stock (at period-end)	3,407,096	2,894,265
Outstanding common stock purchase rights under Employee Stock Purchase Plan (at period-end)	22,843	—
Unvested restricted common stock (at period-end)	95,671	7,292
Total	4,612,395	20,392,395

(1) The convertible preferred stock and convertible preferred stock warrants were computed on an as-converted basis using a one-to-one conversion rate for all series of preferred stock, except for the Series D-1 preferred stock where the Company used a conversion rate of 1.9022, which was the conversion rate applicable at the closing of the Company's initial public offering on February 14, 2011.

Recent Accounting Pronouncements—In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04, *"Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs."* This update amends ASC Topic 820, *"Fair Value Measurement and Disclosure."* ASU 2011-04 clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. ASU 2011-04 is effective for annual and interim reporting periods beginning on or after December 15, 2011. The new guidance is to be adopted prospectively and early adoption is not permitted. The Company does not expect that adoption of ASU 2011-04 will have a significant impact on its financial position, results of operations or cash flows.

In January 2010, the FASB issued ASU No. 2010-06, "*Fair Value Measurements and Disclosures—Improving Disclosures above Fair Value Measurements*," that requires entities to make new disclosures about recurring or nonrecurring fair-value measurements and provides clarification of existing disclosure requirements. This amendment requires separate disclosures about purchases, sales,

issuances, and settlements relating to Level 3 measurements. This amendment is effective for fiscal years beginning after December 15, 2010. The adoption did not have a material impact on the condensed consolidated financial statements of the Company.

In December 2010, the FASB issued ASU No. 2010-29, "*Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations*," to clarify the acquisition date that should be used for reporting the pro forma financial information disclosures in Topic 805 when comparative financial statements are presented. The update also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination(s) included in the reported pro forma revenue and earnings. The amendments in this ASU are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company does not expect the provisions of ASU 2010-29 to have a material effect on the financial position, results of operations or cash flows of the Company; however, the Company may have additional disclosure requirements if the Company completes a business combination in the future.

2. Acquisition of Agri-Energy

In September 2010, Gevo Development acquired Agri-Energy and its ethanol production facility located in Luverne, Minnesota, which the Company is retrofitting for isobutanol production. The Company paid a purchase price of approximately $20,602,000. In addition, the Company acquired and paid $4,919,000 for working capital, resulting in a total amount paid of $25,521,000. As of September 30, 2011, $1,660,000 remained in escrow as security for seller indemnification obligations and, subject to any claims that are made, will be released in December 2011.

The acquisition of Agri-Energy was completed as part of the Company's strategy of acquiring access to ethanol production facilities for future retrofit to produce isobutanol. Upon completion of the acquisition, Gevo Development acquired effective control of Agri-Energy on September 22, 2010. The acquisition was accounted for under the acquisition method of accounting which requires, among other things, that all assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date.

The following table summarizes the fair value of the assets acquired and liabilities assumed as of the acquisition date (September 22, 2010):

Assets acquired:	
Cash	$ 585,000
Receivables	1,999,000
Inventory	3,570,000
Other current assets	1,256,000
Property, plant and equipment	20,602,000
Total assets acquired	$28,012,000
Liabilities assumed:	
Accounts payable and accrued expenses	$ 1,843,000
Other current liabilities	648,000
Total liabilities assumed	$ 2,491,000
Net assets acquired	$25,521,000

3. Property, Plant and Equipment

A summary of property, plant and equipment by classification is as follows:

	Estimated Useful Lives	September 30, 2011	December 31, 2010
Computer, office equipment, and software	3 years	$ 580,000	$ 581,000
Lab equipment, furniture & fixtures and vehicles	5 years	3,846,000	3,432,000
Leasehold improvements	5 years(1)	452,000	380,000
Pilot plant	3 years	721,000	721,000
Demonstration plant	2 years(2)	3,597,000	2,948,000
Construction in progress	—	3,172,000	442,000
Land	—	410,000	410,000
Buildings, site improvements, plant machinery and equipment	10 years	20,276,000	20,093,000
Tools and support equipment	5 years	91,000	87,000
Total property, plant and equipment		33,145,000	29,094,000
Less accumulated depreciation and amortization		(8,773,000)	(5,629,000)

	Estimated Useful Lives	September 30, 2011	December 31, 2010
Property, plant and equipment—net		$ 24,372,000	$ 23,465,000

(1) Leasehold improvements are amortized over the term of the lease agreement or the service lives of the improvements, whichever is shorter.
(2) Depreciation related to the demonstration plant begins in the period such assets are placed in service. The demonstration plant was placed in service in September 2009. The demonstration plant is being depreciated over the remaining contractual term of the development agreement, as amended, with ICM, which ends December 31, 2011 (Note 5).

Depreciation and amortization expense for the three months ended September 30, 2011 and 2010, and for the period from June 9, 2005 (date of inception) to September 30, 2011, were $1,196,000, $634,000, and $9,064,000, respectively. Depreciation and amortization expense for the nine months ended September 30, 2011 and 2010 were $3,372,000 and $2,173,000, respectively.

During the three months ended September 30, 2011 and 2010, the Company capitalized $81,000 and $0, respectively, of interest expense to construction in progress. During the nine months ended September 30, 2011 and 2010, the Company capitalized $152,000 and $0, respectively, of interest expense to construction in progress.

4. Inventories

Inventory balances consisted of the following:

	September 30, 2011	December 31, 2010
Raw materials:		
Corn	$ 3,631,000	$2,516,000
Enzymes and other inputs	126,000	167,000
Finished goods:		
Ethanol	247,000	385,000
Distiller's grains	33,000	48,000
Work in process	511,000	301,000
Spare parts	426,000	348,000
Total inventory	$ 4,974,000	$3,765,000

Included in cost of goods sold is depreciation of $517,000 and $38,000 for the three months ended September 30, 2011 and 2010, respectively. Included in cost of goods sold is depreciation of $1,543,000 and $38,000 for the nine months ended September 30, 2011 and 2010, respectively.

5. 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, if Sasol desires to maintain its exclusive distribution rights, Sasol is obligated to either purchase such minimum quantities of high-purity isobutanol or pay Gevo 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 September 30, 2011.

Exclusive Supply Agreement with LANXESS—On January 14, 2011, the Company entered into an exclusive supply agreement 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, (i) an exclusive first right to acquire its biobased isobutanol to produce isobutylene and butenes for use and sale in the field of chemicals, (ii) an exclusive right to use the Company's

isobutanol to produce butadiene and isobutylene for use in the production of polybutadiene and butyl rubber, and (iii) an exclusive right to use its isobutanol to produce isobutylene for use in the production of polyisobutylene. The initial term of the mutual exclusivity is ten years, subject to mutual extension. No costs have been incurred under this agreement as of September 30, 2011.

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 Mansfield, under which a Mansfield subsidiary 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 September 30, 2011.

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 September 30, 2011 was sold to C&N pursuant to an ethanol purchase and marketing agreement. The ethanol purchase and marketing agreement with C&N was entered into on April 1, 2009 and automatically renews for subsequent one-year terms unless either party terminates the agreement 60 days before the end of a term. Under the terms of the agreement, C&N will market substantially all of Agri-Energy's ethanol production from the Luverne, Minnesota facility and will pay to Agri-Energy the gross sales price paid by the end customer less expenses and a marketing fee.

Jet Fuel Supply Contract with the Defense Logistics Agency (U.S. Air Force)—During September 2011, the Company was awarded a solicitation for the procurement of up to 11,000 gallons of alcohol-to-jet fuel for the purposes of certification and testing by the U.S. Air Force. The total contract value may be up to $649,000. The term of the agreement is through December 30, 2012. Revenue will be recognized upon risk of loss and title transfer to the U.S. Air Force. No revenue under this award has been recognized as of September 30, 2011.

Commercialization and Development Agreements

Development and Commercialization Agreements with ICM—In October 2008, the Company signed development and commercialization agreements with ICM.

Under the terms of the development agreement, the Company performs commercial-scale isobutanol production trials in ICM's research plant and facility in St. Joseph, Missouri, the demonstration plant. The Company is required to pay for or reimburse ICM for engineering fees, equipment, plant modification costs, project fees and various operating expenses. The development agreement was originally effective through December 31, 2010, and was amended in July 2010 to extend the effective date through December 31, 2011. The development agreement can be terminated by the Company with 30 days' written notice. During the nine months ended September 30, 2011 and 2010, the Company incurred $649,000 and $300,000, respectively, in capital expenditures with ICM relating to the demonstration plant that are recorded as property, plant and equipment in the Company's balance sheets. The Company also incurred operating expenses paid to ICM for production trials at the demonstration plant and depreciation expense relating to the demonstration plant, which are recorded as research and development expenses.

The commercialization agreement, as amended, 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.

In addition to amounts recorded under the development and commercialization agreements noted above, 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. Pursuant to the terms of the work agreement, ICM will provide engineering, procurement and construction services for the retrofit of ethanol plants.

During the three and nine months ended September 30, 2011, the Company incurred $994,000 and $2,005,000, respectively, in capital expenditures with ICM relating to the retrofit of the Agri-Energy facility to future isobutanol production, which amounts are recorded within construction in progress on the Company's balance sheets.

Expenses incurred by the Company under its development, commercialization and other agreements with ICM are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		Cumulative Amounts From June 9, 2005 (Date of Inception) to September 30, 2011
	2011	2010	2011	2010	
Research and development	$513,000	$628,000	$1,901,000	$1,885,000	$ 5,553,000
Selling, general and administrative	20,000	20,000	20,000	80,000	112,000
Total expenses	$533,000	$648,000	$1,921,000	$1,965,000	$ 5,665,000

License Agreements

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 $4,300,000 that are payable 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 $875,000, to research and development expense. During March 2010, the Company completed milestone number three and recorded the related milestone amount of $2,000,000 to research and development expense at its present value amount of $1,578,000 because the milestone payment will be paid over a period greater than 12 months from the date it was incurred. At September 30, 2011, the present value of the liability, $1,137,000, was recorded as $924,000 in accounts payable and accrued expenses and $213,000 in non-current liabilities. At December 31, 2010, the present value of the liability, $1,737,000, was recorded as $924,000 in accounts payable and accrued expenses and $813,000 in non-current liabilities. The accretion of the liability was recorded to interest expense.

Upon commercialization of a product which uses the Cargill 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’ 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.

License Agreement with The Regents of the University of California—In September 2007, the Company entered into an exclusive license agreement, as amended, with The Regents of the University of California (“The Regents”) to obtain certain patent rights to inventions made in the course of research at the University of California. The license agreement requires the Company to pay for all costs related to obtaining and maintaining patents on the technology. Under the terms of the license agreement, the Company is required to pay annual license maintenance fees, cash payments upon achievement of certain milestones, and royalties based on revenue from products utilizing the licensed technology. The Company has the right to issue sublicenses to third parties, subject to the payment of a percentage of sublicensing fees and royalty fees to The Regents. The Company can terminate the license agreement at any time with 90 days’ notice. The Regents can terminate the license agreement if the Company fails to demonstrate performance of certain due diligence items as defined in the license agreement. Unless terminated earlier in accordance with the license agreement, the license agreement remains in effect for the life of the last-to-expire patent in the licensed patent rights or until the last patent application licensed under the license agreement is abandoned.

Costs incurred by the Company are recorded as research and development expenses except for legal-related fees that pertain to obtaining and maintaining patents on the technology, which are recorded as selling, general and administrative expenses.

During the three months ended September 30, 2011 and 2010, and for the period from June 9, 2005 (date of inception) to September 30, 2011, the Company incurred costs of $22,000, $9,000 and $516,000, respectively, under the license agreement. During the nine months ended September 30, 2011 and 2010, the Company incurred costs of $51,000 and $39,000, respectively, under the license agreement.

License Agreement with California Institute of Technology—In July 2005, the Company entered into a license agreement, as amended, with the California Institute of Technology ("Caltech") to obtain certain patent rights and improvement rights in exchange for the issuance of 200,000 shares of the Company's common stock. The term of the license agreement shall continue until the expiration, revocation, invalidation, or unenforceability of the licensed patent rights and improvements licensed to the Company. The license agreement has been amended to expand the field of the licensed products and improvements and to extend the right to improvements through July 12, 2013.

No costs were incurred under this license agreement during the nine months ended September 30, 2011 and 2010. For the period from June 9, 2005 (date of inception) to September 30, 2011, the Company incurred costs of $219,000 under the license agreement.

Other

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 for the three months ended September 30, 2011 and 2010, and for the period from June 9, 2005 (date of inception) to September 30, 2011, were $188,000, $383,000 and $3,308,000, respectively. Revenues recorded related to these grants and cooperative agreements for the nine months ended September 30, 2011 and 2010, were $572,000 and $1,175,000, respectively.

6. Gevo Development

Gevo, Inc. formed Gevo Development on September 18, 2009 to finance and develop biorefineries through joint venture 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"), which is beneficially owned by the two co-managing directors of Gevo Development, 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 will receive aggregate consideration of up to approximately $1,143,000, of which $996,000 has been paid as of September 30, 2011 and the remainder of which is payable through January 1, 2012, subject to the terms and conditions set forth in the agreement.

The original issuance of the class B interests was considered to be a grant of nonemployee stock 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 on September 22, 2010, the Company recorded stock compensation of $774,000, which reflected the amount paid during the year ended December 31, 2010 for the class B interests that were not dependent on counterparty performance. During the three and nine months ended September 30, 2011, the Company recorded stock compensation of $74,000 and $222,000, respectively, for the amount paid during the period. The Company will record the remaining amount, which is dependent on the continued employment of the two co-managing directors of Gevo Development, when it is paid.

For the nine months ended September 30, 2011 and 2010, and for the period from September 18, 2009 (formation date of Gevo Development) to September 30, 2011, Gevo, Inc. made capital contributions of $3,795,000, $15,978,000 and $23,152,000 (which includes $13,259,000 of cash used in the purchase of Agri-Energy), respectively, to Gevo Development. No capital contributions had been made by CDP through September 21, 2010. For the three months ended September 30, 2011 and 2010, and for the period from September 18, 2009 (formation date of Gevo Development) to September 30, 2011, Gevo Development (including Agri-Energy after September 22, 2010, the closing date of the acquisition) incurred a net loss (gain) of $(434,000), $1,218,000 and $4,205,000, respectively, 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). For the nine months ended September 30, 2011 and 2010, Gevo Development incurred a net loss of $1,147,000 and $2,684,000, respectively, which has been fully allocated to Gevo, Inc.'s capital contribution account. For financial reporting purposes prior to September 22, 2010, the income or loss allocated to the members of Gevo Development was determined using the hypothetical liquidation at book value method. Under this method, net income or loss is allocated between members by determining the difference between the amount of equity at the beginning of the reporting period and equity at the end of the reporting period, which would be distributed to each member if Gevo Development were to be liquidated as of those dates. Distributions, when and if declared by the board of managers, were allocated, first, to each member for their estimated tax amount, then, for their unreturned capital contributions, and lastly, according to their distribution percentages. Allocation, distribution and voting percentages are determined in accordance with the First Amended and Restated Limited Liability Company Agreement of Gevo Development.

Amended and Restated Warrant Agreement—The warrant agreement details the terms upon which Gevo, Inc. has granted a warrant, as amended, to CDP to purchase 858,000 shares of the common stock of Gevo, Inc. at an exercise price of $2.70 per share, the estimated fair value of a share of Gevo, Inc.'s common stock at the time of entering into the warrant agreement. The warrant expires in September 2016, unless terminated earlier as provided in the agreement. The warrant shares were initially unvested and vested in increments upon the achievement of specific performance milestones. No amounts had been recorded for these warrants in the Company's consolidated statements of operations through September 21, 2010, as none of the counterparty performance milestones had been met; therefore, the lowest aggregate fair value of the award was zero.

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 vest over a two-year period beginning on September 22, 2010, subject to acceleration and termination in certain circumstances, such as the occurrence of a change of control event. The Company valued the warrant at approximately $13,956,000 on September 22, 2010, and recognized 50% of this amount as stock-based compensation on September 22, 2010. The Company is and will recognize the remaining 50% over the 24 month vesting period that began on September 22, 2010.

When Gevo Development was formed in September 2009, Gevo, Inc., Gevo Development and CDP also entered into the following related agreements: a commercialization agreement, a guaranty agreement and an exchange agreement. In August and September 2010, the commercialization agreement, the guaranty agreement and the exchange agreement were all terminated.

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 September 30, 2011 and December 31, 2010, Gevo Development does not have any assets that can be used only to settle obligations of Gevo Development. However, under the terms of Agri-Energy's loan and security agreement with TriplePoint Capital LLC ("TriplePoint"), as amended, subject to certain limited exceptions, Agri-Energy is only permitted to pay dividends if certain conditions are satisfied. As of September 30, 2011 and December 31, 2010, the creditors of Gevo Development have recourse to the general credit of Gevo, Inc. with the exception of $2,796,000 and $4,785,000, respectively, which are recorded within current liabilities, which includes the liabilities of Agri-Energy. No gain or loss was recognized by the Company upon the initial consolidation of Gevo Development.

7. 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, 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 for the commercial production of isobutanol (the "Redfield Retrofit"). 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 in exchange for a payment of $1,000, which has been recorded on the Company's balance sheet in other assets. Gevo Development is the sole holder of Class G units which entitle Gevo Development to certain information and governance rights with respect to Redfield, including the right to appoint two members of Redfield's 11-member board of managers. The Class G units currently carry no interest in the allocation of profits, losses or other distributions of Redfield and no voting rights. Such rights will vest upon the commencement of commercial isobutanol production at the Redfield facility, at which time Gevo Development anticipates consolidating Redfield's operations because Gevo anticipates it will control the activities that are most significant to the entity.

Gevo Development will be responsible for all costs associated with the Redfield Retrofit. 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 Redfield 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 have been 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 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 facility once commercial production of isobutanol has begun. Additionally, Gevo, Inc. will license the technology necessary to produce isobutanol at the 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 Redfield Retrofit.

As of September 30, 2011, the Company has not incurred any significant costs for the Redfield Retrofit.

8. Secured Long-Term Debt

The carrying value of the secured long-term debt included in the Company's condensed consolidated balance sheets at September 30, 2011 and December 31, 2010 consists of the following:

	September 30, 2011	December 31, 2010
Long-term debt, unpaid principal plus final/end-of-term payments	$20,637,000	$22,038,000
Less unamortized debt discounts for final/end-of-term payments and original fair value of warrants issued with debt	(1,219,000)	(1,606,000)
	19,418,000	20,432,000
Less current portion	(1,747,000)	(1,785,000)
Long-term portion of the long-term debt	$17,671,000	$18,647,000

Lighthouse Loan and Security Agreement. On December 18, 2006, Gevo, Inc. entered into a loan and security agreement, as amended, with Lighthouse Capital Partners V, L.P. ("Lighthouse"). On August 6, 2010, the Company repaid $5,000,000 in outstanding principal, as well as $250,000 of the final payment, under the promissory note issued in connection with the loan and security agreement. As of September 30, 2011, the Company's outstanding principal balance on its loan with Lighthouse was $1,533,000. The promissory note bears interest at a rate of 12% per annum, required interest only payments during the year ended December 31, 2010, and requires principal plus interest repayments of equal amounts over the 18 months commencing January 1, 2011 and a final payment of $204,000 due on July 1, 2012.

Under the terms of the loan and security agreement, the Company is prohibited from granting a security interest in its intellectual property assets to any other entity until Lighthouse is paid in full, and Lighthouse maintains a security interest in the assets, including equipment and fixtures, financed by the proceeds of each original loan advance made under the loan agreement until such time as the loan is paid in full. The Lighthouse agreement does not contain financial ratio covenants, but does impose certain affirmative and negative covenants, which include prohibiting the Company from paying any dividends or distributions or creating any liens against the collateral as defined in the agreement, as amended. The Company cannot borrow any further amounts under its agreement with Lighthouse. At September 30, 2011, the Company was in compliance with the Lighthouse debt covenants.

TriplePoint Loan and Security Agreement 1. In August 2010, concurrently with the execution of the acquisition agreement with Agri-Energy, Gevo, Inc. entered into a loan and security agreement with TriplePoint, pursuant to which it borrowed $5,000,000 (the "Gevo Loan Agreement"). The Gevo Loan Agreement includes customary affirmative and negative covenants for agreements of this type and events of default, including disposing of certain assets, granting or otherwise allowing the imposition of a lien against certain assets, incurring certain amounts of additional indebtedness, or acquiring or merging with another entity, excluding Agri-Energy, unless the Company receives the prior approval of TriplePoint. The aggregate amount outstanding under the Gevo Loan Agreement bears interest at a rate equal to 13%, is subject to an end-of-term payment equal to 8% of the amount borrowed and is secured by substantially all of the assets of Gevo, Inc., other than its intellectual property. The loan is also secured by substantially all of the assets of Agri-Energy, LLC. Additionally, 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, Gevo, Inc. is prohibited from granting a security interest in its intellectual property assets to any other entity until both TriplePoint loans are paid in full. The loan matures on August 31, 2014, and provides for interest only payments during the first 24 months. An additional interest-only period of 6 months may be elected in the event that Gevo, Inc. begins producing isobutanol at its Agri-Energy facility by June 30, 2012. Gevo, Inc. used the funds from this loan to repay a portion of its existing indebtedness with Lighthouse. At September 30, 2011, the Company was in compliance with the debt covenants under the Gevo Loan Agreement.

TriplePoint Loan and Security Agreement 2. In August 2010, Gevo Development borrowed $12.5 million from TriplePoint to finance its acquisition of Agri-Energy and in September 2010, upon completion of the acquisition, the loan and security agreement was amended to make Agri-Energy, LLC 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, LLC held by Gevo Development and substantially all the assets of Agri-Energy, LLC. The loan matures on September 1, 2014, and provides for interest only payments during the first 24 months. An additional interest-only period of 6 months may be elected in the event that Gevo, Inc. begins producing isobutanol at its Agri-Energy facility by June 30, 2012. 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. At September 30, 2011, the Company was in compliance with the debt covenants under the Original Agri-Energy Loan Agreement.

Interest expense, net of amounts capitalized to construction in progress, related to the long-term debt for the three months ended September 30, 2011 and 2010, and for the period from June 9, 2005 (date of inception) to September 30, 2011, was $754,000, $726,000 and $6,173,000, respectively, of which $203,000, $435,000 and $1,725,000, respectively, was for the accretion of debt discounts relating to the final/end-of-term payments, amortization of debt issue costs and the accretion of debt discounts relating to the grant date value of the warrants issued in connection with the debt. Interest expense, net of amounts capitalized to construction in progress, related to the long-term debt for the nine months ended September 30, 2011 and 2010, was $2,391,000 and $1,344,000, respectively, of which $625,000 and $573,000, respectively, was for the accretion of debt discounts relating to the final/end-of-term payments, amortization of debt issue costs and the accretion of debt discounts relating to the grant date value of the warrants issued in connection with the debt. The Company capitalized $81,000 and $152,000 of interest expense to construction in progress during the three and nine months ended September 30, 2011, respectively. No interest expense was capitalized to construction in progress prior to January 1, 2011.

During the nine months ended September 30, 2011 and 2010, the Company made principal and final payments of $1,402,000 and $5,250,000, respectively.

The following is a summary of principal maturities of long-term debt and the final/end-of-term payments as of September 30, 2011, assuming the extended interest-only periods are not elected:

	Principal	Final Payment	Total
2011 (3 months)	$ 496,000	$ —	$ 496,000
2012	3,167,000	204,000	3,371,000
2013	8,478,000	—	8,478,000
2014	6,892,000	1,400,000	8,292,000
	$19,033,000	$ 1,604,000	$20,637,000

In connection with signing and borrowing under the loans with Lighthouse and TriplePoint, the Company issued warrants to purchase shares of the Company's preferred stock. The issuance date fair value of these warrants was recorded as a debt discount against the debt (debt discount) and amortized to interest expense over the terms of the loans. The warrants that were issued prior to our initial public offering were, while they were exercisable for preferred stock, considered to be derivative instruments (Note 11).

From December 2006 through December 31, 2009, the Company issued to Lighthouse warrants to purchase an aggregate of 169,247 shares of the Company's convertible preferred stock at a weighted-average exercise price of $5.38. These warrants converted to warrants exercisable for 169,247 shares of the Company's common stock upon completion of its initial public offering on February 14, 2011. In March 2011, Lighthouse completed a cashless net exercise of the warrants that had been issued to them which resulted in the Company issuing 122,424 shares of its common stock to Lighthouse.

In connection with signing and borrowing on the loans with TriplePoint in August and September 2010, the Company issued warrants to TriplePoint to purchase an aggregate of 105,140 shares of Series D-1 convertible preferred stock at an exercise price of $17.12. The warrants became exercisable for 199,999 shares of the Company's common stock upon completion of its initial public offering on February 14, 2011. The warrants may be exercised until August 5, 2017.

The warrants issued to TriplePoint during August and September 2010, were valued on the issuance dates using an option-pricing model using a risk-free interest rate of 0.15%, expected volatility between 49.14% and 61.90% and a term of 0.17 years.

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses in the consolidated balance sheets at September 30, 2011 and December 31, 2010 consisted of the following:

	September 30, 2011	December 31, 2010
Accounts payable—trade	$ 3,855,000	$4,818,000
Accrued expenses—Cargill license agreement	924,000	924,000
Accrued employee compensation and related expenses	2,428,000	586,000
Accrued expenses—ICM	1,253,000	163,000
Accrued deferred offering costs	—	548,000
Other accrued expenses	1,759,000	864,000
	$10,219,000	$7,903,000

10. Capital Stock

Initial Public Offering—On February 14, 2011, the Company completed its 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 $110,408,000, after deducting underwriting discounts and commissions and other offering costs. Upon the closing of the initial public offering, the Company's outstanding shares of convertible preferred stock were automatically converted into 16,329,703 shares of common stock and the outstanding convertible preferred stock warrants were automatically converted into common stock warrants to purchase a total of 398,032 shares of common stock. The net proceeds from the initial public offering, after deducting underwriting discounts and commissions and offering expenses, have been recorded in stockholders' equity.

In connection with the closing of the initial public offering, the Company amended and restated its certificate of incorporation to increase its authorized number of shares of common stock to 100,000,000 and to authorize the issuance of 5,000,000 shares of preferred stock. The holder of each share of common stock is entitled to one vote. The board of directors has the authority, without action by its stockholders, to designate and issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The Company's amended and restated certificate of incorporation provides that the Company's board of directors will be divided into three classes, with staggered three-year terms and provides that all stockholder actions must be effected at a duly called meeting of the stockholders and not by a written consent. The amended and restated certificate of incorporation also provides that only the board of directors may call a special meeting of the stockholders and requires the approval of either a majority of the directors then in office or 66 2/3% of the voting power of all then outstanding capital stock for the adoption, amendment or repeal of any provision of the Company's amended and restated bylaws. In addition, the amendment or repeal of certain provisions of the Company's amended and restated certificate of incorporation requires a 66 2/3% stockholder vote.

Convertible Preferred Stock—All shares of the Company's convertible preferred stock automatically converted into shares of common stock upon the Company's initial public offering.

Series D-1—Between March and May 2010, the Company issued 1,843,675 shares of Series D-1 preferred stock at a price of $17.12 per share for gross cash proceeds of approximately $31,564,000 and issued 58,412 shares of Series D-1 preferred stock at $17.12 per share in exchange for $1,000,000 of future services to be provided by ICM. The 58,412 shares issued to ICM in exchange for the credit against future services are fully vested, non-forfeitable and non-cancellable. The Company had used the full amount of its prepaid credit with ICM prior to March 31, 2011, which had been recorded in prepaid expenses and other current assets on the Company's balance sheet.

The Series D-1 preferred stock was considered to have a beneficial conversion feature because the conversion ratio would adjust from the initial conversion rate of one common share for each preferred share to two common shares for each preferred share if an initial public offering or qualified financing had not occurred on or before September 30, 2011. At the issuance dates of the Series D-1 between March and May 2010, the Company recorded the beneficial conversion feature at its aggregate intrinsic value of approximately $5,744,000 as a discount on the preferred stock with a corresponding credit to additional paid-in capital. This discount was recorded as a deemed dividend and was being amortized as a debit to retained earnings and a credit to additional paid-in capital.

For the period from January 1, 2011 to the closing of the Company's initial public offering on February 14, 2011, the Company recorded a deemed dividend – amortization of beneficial conversion feature on the Series D-1 convertible preferred stock of $495,000 relating to the issuance of Series D-1 convertible preferred stock. Upon closing of the initial public offering on February 14, 2011 and the automatic conversion of the Company's Series D-1 preferred stock to common stock, the Company recalculated the intrinsic value of the beneficial conversion feature using the adjusted conversion ratio applied against the original commitment date estimated fair value of the underlying common stock. The amount of the recalculated intrinsic value of the beneficial conversion feature exceeded the previously amortized amount of the beneficial conversion feature by $599,000, which amount was immediately amortized to retained earnings and additional paid-in capital contemporaneously with the closing of the initial public offering. After the entries recorded through, and upon, the closing of the Company's initial public offering, no additional amortization of the beneficial conversion feature relating to the Series D-1 preferred stock will be recorded.

Warrants—In September 2010, a holder of Series C preferred stock warrants exercised its warrants to purchase 108,076 shares of Series C preferred stock at an exercise price of $5.48 per share resulting in total proceeds to the Company of $592,000. Upon exercise of the warrant, the Company reclassified $1,458,000 from preferred stock warrant liability to equity.

As of December 31, 2010, the Company had issued and outstanding 858,000 warrants to CDP (Note 6) that were exercisable into common stock and 303,173 warrants to TriplePoint, Lighthouse and investors that were exercisable into preferred stock. These 303,173 preferred stock warrants became exercisable for 398,032 shares of the Company's common stock upon completion of the Company's initial public offering on February 14, 2011.

In March 2011, Lighthouse completed a cashless net exercise of the 169,247 warrants that had been issued to them which resulted in the Company issuing 122,424 shares of its common stock to Lighthouse.

As of September 30, 2011, the Company has issued and outstanding an aggregate of 1,086,785 warrants that are exercisable into common stock at a weighted-average exercise price of $3.93.

11. Preferred Stock Warrant Liabilities

Upon the closing of the Company's initial public offering on February 14, 2011, the preferred stock warrants that were previously recorded as liabilities on the Company's balance sheet were automatically converted to common stock warrants. Upon this conversion, the related preferred stock warrant liability of $2,063,000 was reclassified to additional paid-in capital and will no longer be marked to fair value.

The preferred stock warrants were marked to fair value from January 1, 2009 through February 14, 2011, and the change in fair value was recognized in the Company's statements of operations as gain or loss from change in fair value of warrant liabilities. The non-cash charge recorded related to the change in fair value of preferred stock warrants for the three months ended September 30, 2011 and 2010, and for the period from June 9, 2005 (date of inception) to September 30, 2011, was $0, $2,052,000 and $2,852,000, respectively. The non-cash charge recorded related to the change in fair value of preferred stock warrants for the nine months ended September 30, 2011 and 2010, was $29,000 and $3,302,000, respectively.

12. Derivatives and Hedging

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. These financial exposures are monitored and managed by the Company 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 periodically enters into forward purchase contracts for corn and natural gas to ensure supply and manage the prices of these commodities. These transactions are considered to be derivatives and prior to January 1, 2011 were recorded on the balance sheet as assets and liabilities based on each derivative's fair value. The changes in the fair value of these derivative contracts were recognized in income, as a component of cost of goods sold. Effective January 1, 2011, the Company designates all of its forward purchase contracts for corn and natural gas under the normal purchases and normal sales scope exception and therefore they will no longer be marked to market.

The Company generally follows a policy of using exchange-traded futures contracts to reduce its net position in agricultural commodity inventories and forward cash purchase contracts to reduce price risk. Exchange-traded futures contracts are valued at market price and are recorded as derivative assets or derivative liabilities in the consolidated balance sheet. Changes in market price are recorded in cost of goods sold.

The Company's derivatives do not include any credit risk related contingent features. For the exchange-traded contracts, the Company maintains a margin deposit. At September 30, 2011, the Company had a negative balance in its margin deposit account of $294,000, which is included in current liabilities. At December 31, 2010, the Company recorded a margin deposit of $624,000. The Company has not designated any of its derivatives as hedges for financial accounting purposes. The Company did not have any derivative assets or liabilities prior to September 22, 2010 other than the preferred stock warrants described in Note 11. The fair value of the Company's derivatives which are marked to market each period, as well as the location within its balance sheets, by major category, is summarized as follows:

Balance Sheet Line Item	September 30, 2011	December 31, 2010
Derivative liabilities not qualifying for normal purchases and normal sales scope exception:		
Exchange-traded commodity derivatives—derivative liability—current	$ —	$ (405,000)
Derivative assets not qualifying for normal purchases and normal sales scope exception:		
Forward purchase corn contracts—derivative asset—current	$ —	$ 361,000
Exchange-traded commodity derivatives—derivative asset—current	$ 1,370,000	$ —

Changes in the value of derivative instruments are recorded in the condensed consolidated statements of operations unless they qualify for the normal purchases and normal sales scope exception. The following table summarizes these amounts and the location within the consolidated statements of operations where such amounts are reflected. In addition to the unrealized gains and losses noted below, the Company incurred realized losses (gains) of $310,000, $51,000 and $1,893,000 on its exchange-traded futures contracts for the three months ended September 30, 2011 and 2010, and for the period from June 9, 2005 (date of inception) to September 30, 2011, respectively, which have been recorded within cost of goods sold. For the nine months ended September 30, 2011 and 2010, the Company incurred realized losses of $795,000 and $51,000, respectively, on its exchange-traded futures contracts.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Statement of Operations Location				
Exchange-traded commodity derivatives—cost of goods sold—unrealized (gains)/losses	$(1,020,000)	$(125,000)	$(1,775,000)	$(125,000)
Forward purchase corn derivatives—cost of goods sold—unrealized (gains)/losses	$ —	$ 48,000	$ 361,000	$ 48,000
Forward purchase natural gas derivatives—cost of goods sold—unrealized (gains)/losses	$ —	$ 7,000	$ —	$ 7,000

The following table represents the Company's net long and short positions regardless of whether the derivative instruments qualify for the normal purchase and normal sales scope exception. The Company did not have any outstanding forward purchase contracts for natural gas as of September 30, 2011 and December 31, 2010.

Year of Expiration	September 30, 2011 Corn Net Long (Short) Position Bushels	December 31, 2010 Corn Net Long (Short) Position Bushels
2011	(532,000)	(309,000)
2012	7,000	—

13. Stock-Based Compensation

2006 Omnibus Securities and Incentive Plan—During 2006, the Company established the Gevo, Inc. 2006 Omnibus Securities and Incentive Plan (the "2006 Incentive Plan"). Pursuant to the 2006 Incentive Plan, the Company granted stock awards to employees, directors, and consultants of the Company. Upon adoption of the Gevo, Inc. 2010 Stock Incentive Plan (the "2010 Plan"), no further grants can be made under the 2006 Incentive Plan. To the extent outstanding awards under the 2006 Incentive Plan expire, or are forfeited, cancelled, settled, or become unexercisable without the issuance of shares, the shares of common stock subject to such awards will be available for future issuance under the 2010 Plan.

Employee Stock Purchase Plan—In February 2011, the Company's stockholders approved the Gevo, Inc. Employee Stock Purchase Plan ("ESPP"). The initial offering period for the ESPP commenced July 1, 2011 and will end December 31, 2011. The Company has reserved 1,285,643 shares of common stock for issuance under the ESPP. The purchase price of the common stock under the ESPP is 85% of the lower of the fair market value of a share of common stock on the first or last day of the purchase period. The Company received $54,000 and $54,000 in contributions from participants during the three and nine months ended September 30, 2011, respectively. Stock-based compensation expense related to the ESPP of $26,000 and $26,000 was recognized for the three and nine months ended September 30, 2011, respectively. As of September 30, 2011, no shares have been issued and 1,285,643 shares were available for future purchase under the ESPP. The fair value of the employee stock purchase rights was estimated using the Black-Scholes option pricing model using the following weighted-average assumptions, with expected forfeiture rates of 0% to 5%:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Risk-free interest rate	0.10%	—	0.10%	—
Expected dividend yield	—	—	—	—
Expected volatility factor	81.27%	—	81.27%	—
Expected option life (in years)	0.50	—	0.50	—

2010 Stock Incentive Plan—In February 2011, the Company's stockholders approved the 2010 Plan. The Company has reserved 2,571,286 shares of common stock for issuance under the 2010 Plan. At September 30, 2011, there were 1,907,502 shares available for grant under the 2010 Plan.

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Stock Options—A summary of stock option activity for grants to employees and nonemployees is presented below:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding—December 31, 2010	2,894,265	$ 2.83	7.90	$34,936,000
Granted	564,982	$ 16.53		
Canceled or forfeited	(13,518)	16.08		
Exercised	(38,633)	0.55		
Options outstanding—September 30, 2011	3,407,096	$ 5.07	7.57	$ 9,912,000
Options exercisable—September 30, 2011	2,434,430	$ 2.89	7.12	$ 8,576,000
Options vested and expected to vest—September 30, 2011	3,355,386	$ 5.05	7.56	$ 9,797,000

Additional information related to the Company's stock options is summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,		Cumulative Amounts From June 9, 2005 (Date of Inception) to September 30,
	2011	2010	2011	2010	2011
Weighted-average grant-date fair value of option awards granted	$ 10.22	$8.58	$ 11.22	$ 7.09	$ 3.41
Intrinsic value of options exercised (determined as of the date of option exercise)	$193,000	$ —	$474,000	$69,000	$563,000
Proceeds received from the exercise of stock options	$ 12,000	$ —	$ 21,000	$16,000	$ 43,000

As of September 30, 2011, the Company had $6,427,000 of total unrecognized compensation expense, net of estimated forfeitures, which is expected to be recognized over a weighted-average period of 2.07 years.

The Company settles stock option exercises with newly issued common shares. No tax benefits were realized by the Company in connection with these exercises as the Company maintains net operating loss carryforwards and has established a valuation allowance against the entire tax benefit.

Information about stock options outstanding and exercisable at September 30, 2011 is as follows:

	Options Outstanding		Options Exercisable		
Exercise Price	Number of Options	Weighted-Average Remaining Contractual Life in Years	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years
$ 0.17	33,300	4.42	33,300	$ 0.17	4.42
$ 0.46	586,268	5.59	539,177	$ 0.46	5.59
$ 0.47	26,700	5.55	26,700	$ 0.47	5.55
$ 0.49	239,987	6.10	232,436	$ 0.49	6.09
$ 1.16	659,459	6.87	532,813	$ 1.16	6.86
$ 2.70	861,780	8.13	688,052	$ 2.70	8.13
$ 8.73	10,828	9.96	—	$ —	—
$10.07	381,830	8.68	323,022	$ 10.07	8.68
$11.42	4,500	9.88	—	$ —	—
$12.67	64,950	8.95	18,005	$ 12.67	8.95
$14.81	101,500	9.72	125	$ 14.81	9.72
$16.19	105,500	9.71	8.791	$ 16.19	9.71
$16.50	41,250	9.71	—	$ —	—
$16.55	50,700	9.78	—	$ —	—
$17.47	5,000	9.80	—	$ —	—
$17.53	192,044	9.48	32,009	$ 17.53	9.48
$19.10	26,500	9.42	—	$ —	—
$19.14	15,000	9.60	—	$ —	—

The fair values of stock options granted during the three and nine months ended September 30, 2011 and 2010 were estimated using the following weighted average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Risk-free interest rate	1.65%	1.93%	2.04%	2.17%
Expected dividend yield	None	None	None	None
Expected volatility factor	78.93%	77.2%	78.99%	78.5%
Expected option life (in years)	5.84	6.04	5.80	5.36

The risk-free interest rate was based on the U.S. Treasury yield curve in effect during the year of grant for instruments with a term similar to the expected life of the related option. The volatility factor was determined based upon management's estimate using inputs from comparable public companies. Due to the Company's limited history of grant activity, the expected life of options granted was estimated using the "simplified method" in accordance with Staff Accounting Bulletin 110, where the expected life equals the arithmetic average of the vesting term and the original contractual term of the options. No dividends are expected to be paid. Forfeitures have been estimated by the Company based upon historical and expected forfeiture experience. Expected forfeiture rates used for the periods presented were 0% to 5%.

Stock-based compensation included in the Company's condensed consolidated statements of operations is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		Cumulative Amounts From June 9, 2005 (Date of Inception) to September 30, 2011
	2011	2010	2011	2010	
Stock options issued to nonemployees:					
Research and development	$ 13,000	$ 60,000	$ 147,000	$ 74,000	$ 328,000
Selling, general and administrative	—	—	—	106,000	164,000
Stock options issued to employees and board members:					
Research and development	175,000	77,000	433,000	396,000	1,150,000
Selling, general and administrative	552,000	224,000	1,273,000	1,649,000	3,880,000
Restricted stock issued to nonemployees:					
Research and development	23,000	20,000	79,000	47,000	279,000
Restricted stock issued to employees and board members:					
Research and development	29,000	—	60,000	—	60,000
Selling, general and administrative	125,000	—	263,000	—	263,000
Employee stock purchase plan:					
Research and development	11,000	—	11,000	—	11,000
Selling, general and administrative	15,000	—	15,000	—	15,000
Warrant issued to CDP:					
Selling, general and administrative	872,000	6,978,000	2,616,000	6,978,00	10,467,000
Purchase of class B interests of Gevo Development from CDP for cash:					
Selling, general and administrative	74,000	774,000	222,000	774,000	996,000
Total stock-based compensation	$1,889,000	$8,133,000	$5,119,000	$10,024,000	$17,613,000

Stock Option Grants to Nonemployees—Since January 1, 2011, the Company has not granted any options to nonemployees. Options granted to nonemployees are periodically revalued as services are performed and the options vest.

Restricted Stock—The Company has stock-based compensation plans under which it has awarded restricted common stock with no exercise price to employees (including board members) and nonemployee consultants. The vesting period of each restricted share is determined at the date of grant. The shares are subject to forfeiture if certain vesting requirements are not met. The Company records stock-based compensation on restricted stock grants over the vesting period. In accordance with applicable standards, stock-based awards granted to nonemployees are periodically revalued as services are performed and the awards vest.

Activity and related information for the Company's restricted common stock awards is summarized as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested—December 31, 2010	5,729	$ 0.49
Granted	119,252	17.00
Vested	(22,378)	13.96
Canceled or forfeited	(6,932)	17.53

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested—September 30, 2011	95,671	$ 16.69

The shares of restricted stock generally vest over periods from three to six years. As of September 30, 2011, the total unrecognized compensation expense, net of estimated forfeitures, relating to restricted stock awards was $1,594,000, which is expected to be recognized over a weighted-average period of 2.49 years.

14. Income Taxes

No provision for U.S. income taxes has been made, net of the valuation allowance, due to cumulative losses since June 9, 2005 (date of inception).

15. Employee Benefit Plan

The Company's employees participate in the Gevo, Inc. 401(k) Plan (the "401(k) Plan"). Subject to certain eligibility requirements, the 401(k) Plan covers substantially all employees after three months of service with quarterly entry dates. Employee contributions are deposited by the Company into the 401(k) Plan and may not exceed the maximum statutory contribution amount. The Company may make matching and/or discretionary contributions to the 401(k) Plan. Effective January 1, 2008, the Company began providing an employer match of 100% up to a maximum of 5% of compensation per employee, which vests over a period of approximately two years. During the three months ended September 30, 2011 and 2010, and for the period from June 9, 2005 (date of inception) to September 30, 2011, the Company recorded $110,000, $62,000 and $896,000, respectively, in matching contributions. During the nine months ended September 30, 2011 and 2010, the Company recorded $310,000 and $201,000, respectively, in matching contributions.

16. Related-Party Transactions

A founder, consultant and former director of the Company is also a professor at Caltech, which is a party to a license agreement (Note 5) and research agreements with the Company. This founder, consultant and former director is also a common stockholder and option holder of the Company.

The co-managing directors of Gevo Development beneficially own 100% of the equity interests of CDP. CDP holds a warrant for common stock of Gevo, Inc. (Note 6). The co-managing directors also entered into employment agreements with Gevo, Inc., which became effective on September 22, 2010.

17. Commitments and Contingencies

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

On August 11, 2011, Butamax amended the Complaint to include allegations that the Company is infringing one or more claims made in US Patent No. 7,993,889 (the "'889 Patent"), also entitled "Fermentive Production of Four Carbon Alcohols." 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 the Company's freedom to operate.

On September 13, 2011, the Company filed an answer to the amended Complaint in which the Company 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 USPTO. The counterclaim seeks a declaratory judgment, injunctive relief, damages and costs, including attorney's fees and expenses.

Due to the very early stage of this lawsuit, the Company has determined that the possible loss or range of loss related to this lawsuit cannot be reasonably estimated at this time.

Leases—In November 2007, the Company signed an operating lease for its office, research, and production facility in Englewood, Colorado (the "Colorado facility") with a term expiring July 31, 2013. The Company also maintains a corporate apartment in Colorado, which has a lease term expiring during the next 12 months.

Rent expense for the three months ended September 30, 2011 and 2010, and the period from June 9, 2005 (date of inception) to September 30, 2011, was $139,000, $143,000 and $2,534,000, respectively. Rent expense for the nine months ended September 30, 2011 and 2010, was $413,000 and $426,000, respectively. The Company recognizes rent expense on its facility operating leases on a straight-line basis.

As of September 30, 2011, future minimum lease payments required under the Company's operating leases for the Colorado facility and corporate apartment are as follows:

Years Ending December 31	
2011 (3 months)	$130,000
2012	505,000
2013	292,000
2014	—
2015	—
	$927,000

Guarantees and Indemnifications—In the ordinary course of its business, the Company makes certain indemnities, commitments, and guarantees under which it may be required to make payments in relation to certain transactions. 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 believes the fair value of these indemnification agreements is minimal. The Company has not recorded any liability for these indemnities in the accompanying balance sheets. However, 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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18. Segments

Segment Information—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, Inc., Gevo Development, LLC, and Agri-Energy, LLC. All revenue is earned, and all assets are held, in the U.S. Prior to the acquisition of Agri-Energy, the financials of Gevo Development were aggregated with Gevo, Inc. due to its size compared to Gevo, Inc. and were not reported separately. For purposes of the table below, the Company has broken out the historical information of Gevo Development. The financial results of Gevo Development and Agri-Energy have been aggregated in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Gevo, Inc.	$ 188,000	$ 521,000	$ 572,000	$ 1,313,000
Gevo Development, LLC/Agri-Energy, LLC	17,318,000	975,000	46,748,000	975,000
Intercompany eliminations	—	—	—	—
	$ 17,506,000	$ 1,496,000	$ 47,320,000	$ 2,288,000
Operating income (loss):				
Gevo, Inc.	$ (12,406,000)	$(13,376,000)	$ (31,850,000)	$(26,510,000)
Gevo Development, LLC/Agri-Energy, LLC	882,000	(1,139,000)	281,000)	(2,604,000)
Intercompany eliminations	—	—	—	—
	$ (11,524,000)	$(14,515,000)	$ (31,569,000)	$(29,114,000)
Interest and other expense:				
Gevo, Inc.	$ 334,000	$ 700,000	$ 1,070,000	$ 1,369,000
Gevo Development, LLC/Agri-Energy, LLC	464,000	79,000	1,471,000	79,000
Intercompany eliminations	—	—	—	—
	$ 798,000	$ 779,000	$ 2,541,000	$ 1,448,000
Depreciation expense:				
Gevo, Inc.	$ 679,000	$ 596,000	$ 1,829,000	$ 2,135,000
Gevo Development, LLC/Agri-Energy, LLC	517,000	38,000	1,543,000	38,000
Intercompany eliminations	—	—	—	—
	$ 1,196,000	$ 634,000	$ 3,372,000	$ 2,173,000
Total assets:				
Gevo, Inc.	$117,173,000	$ 42,277,000	$117,173,000	$ 42,277,000
Gevo Development, LLC/Agri-Energy, LLC	53,884,000	43,096,000	53,884,000	43,096,000
Intercompany eliminations	(37,878,000)	(27,523,000)	(37,878,000)	(27,523,000)
	$133,179,000	$ 57,850,000	$133,179,000	$ 57,850,000
Acquisitions of plant, property and equipment:				
Gevo, Inc.	$ 358,000	$ 143,000	$ 1,151,000	$ 472,000
Gevo Development, LLC/Agri-Energy, LLC (1)	967,000	—	2,429,000	—
Intercompany eliminations	—	—	—	—
	$ 1,325,000	$ 143,000	$ 3,580,000	$ 472,000

(1) Excludes property, plant and equipment acquired in the Agri-Energy acquisition.

19. Subsequent Events

In October 2011, Agri-Energy entered into an amended and restated loan and security agreement (the “Amended Agri-Energy Loan Agreement”) with TriplePoint. The Amended Agri-Energy Loan Agreement 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 $15,000,000 (the “New Loan”) (which amount is in addition to the existing $12,500,000 term loan provided under the Original Agri-Energy Loan Agreement, which term loan remains in place under the Amended Agri-Energy Loan Agreement), the proceeds of which will be used to pay a portion of the costs, expenses, and other amounts associated with the retrofit of Agri-Energy’s ethanol plant in Luverne, Minnesota to produce isobutanol. The loan matures on October 31, 2015 with the last monthly amortization payment due on the date of such advance. The interest rate is the prime rate, as published by the Wall Street Journal on the day before each advance, plus 7.75% and in no event will the prime rate be less than 3.25%, and is subject to an end-of-term payment equal to 5.75% of the amount borrowed. The New Loan provides for interest only payments through July 1, 2012 and an additional interest-only period of 6 months on the New Loan may be elected in the event that the Company has received net offering proceeds of at least $75 million from one or more secondary equity offerings by June 30, 2012. On October 20, 2011, Agri-Energy borrowed $10 million under the Amended Agri-Energy Loan Agreement. Upon the request of the Company and the additional approval of TriplePoint, the Company may borrow an additional $5,000,000 under the Amended Agri-Energy Loan Agreement increasing the maximum size of the New Loan to $20,000,000.

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, which secures its guarantee of Agri-Energy’s obligations (including up to $32,500,000 in term loans) under the Amended Agri-Energy Loan Agreement.

Additionally, concurrent with the execution of the Amended Agri-Energy Loan Agreement, Gevo, Inc. and TriplePoint entered into a warrant agreement pursuant to which TriplePoint is entitled to purchase up to 188,442 shares of Gevo, Inc.’s common stock, par value $0.01, on the terms and subject to the conditions set forth in the warrant agreement, at a price per share of $7.96, subject to adjustment, exercisable for a period of seven years from the effective date of the warrant agreement.

* * * * * *

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 achievement 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," "Risk Factors" and subsequent reports on Form 10-Q. 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" and "our" 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 condensed 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 our Annual Report on Form 10-K for the year ended December 31, 2010, including the disclosures made in Item 1A "Risk Factors" and the audited consolidated financial statements and related notes included therein, and the disclosures made in Part II, Item 1A "Risk Factors" of this Report.

Overview

We are a renewable chemicals and advanced biofuels company focused on the development and commercialization of alternatives to petroleum-based products. Our initial commercialization and development efforts are focused on isobutanol, a four carbon alcohol produced from renewable sources. Without any modification, our isobutanol has applications as a specialty chemical and a fuel blendstock. Our isobutanol can also be converted by our customers into a wide variety of hydrocarbons which form the basis for the production of many products, including rubber, plastics, fibers, and other polymers and hydrocarbon fuels, including jet and diesel fuel.

At September 30, 2011, we are considered to be in the development stage as our primary activities, since incorporation, have been conducting research and development, establishing our facilities, recruiting personnel, business development, business and financial planning and raising capital. Successful completion of our research and development program, and ultimately, 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, obtaining adequate financing to complete our development activities, obtaining adequate financing to acquire access to and complete the retrofit of ethanol plants to isobutanol production, market acceptance and demand for our products and services, and attracting and retaining qualified personnel.

Initial Public Offering

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 $110,408,000, after deducting underwriting discounts and commissions and other offering costs. Upon the closing of the initial public offering, our outstanding shares of convertible preferred stock were automatically converted into 16,329,703 shares of common stock and our outstanding convertible preferred stock warrants were automatically converted into common stock warrants to purchase a total of 398,032 shares of common stock.

Agri-Energy Acquisition

In September 2010, we acquired a 22 million gallon per year ("MGPY") ethanol production facility in Luverne, Minnesota (the "Agri-Energy facility") that we are retrofitting to produce isobutanol. We paid a purchase price of $20.6 million for property, plant and equipment and, in addition, we acquired and paid $4.9 million for working capital. We paid the aggregate purchase price with available cash reserves and by borrowing $12.5 million from TriplePoint Capital LLC ("TriplePoint") (as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Secured long-term debt"). We have begun the retrofit of the Agri-Energy facility. We intend to increase the potential production capacity of the Agri-Energy facility in anticipation of future improvements from our yeast biocatalyst. We project capital costs for the retrofit of the Agri-Energy facility to be $22 million, including the ability to switch between ethanol and isobutanol production, plus additional capital to allow for the anticipated increased future production capacity. In addition to the retrofit to isobutanol production at the Agri-Energy facility, in July 2011 we made the strategic decision to invest in an enhanced yeast seed train at the Agri-Energy facility to maintain direct oversight over our current yeast material and future yeast development and to provide on-site yeast production. We estimate capital costs for the enhanced yeast seed train to be approximately $10 million. We expect to begin commercial production of isobutanol at the Agri-Energy facility in the first half of 2012.

We derive revenue from the sale of ethanol, distiller's grains and other related products produced as part of the ethanol production process and we expect that we will continue to record revenue from these sources during the period of the retrofit of the Agri-Energy facility to isobutanol production. Continued ethanol production during the retrofit will allow us to retain local staff for the future operation of the plant, maintain the equipment and generate cash flow. As the production of ethanol is not our intended business, we will continue reporting our operating results as a development stage company during the retrofit process and only intend to report revenue from the sale of ethanol on an interim basis until we begin to generate revenue from sales of isobutanol. Accordingly, the historical operating results of Agri-Energy, LLC ("Agri-Energy") and the operating results reported during the retrofit to isobutanol production will not be indicative of future operating results for Agri-Energy or Gevo, Inc. once isobutanol production commences.

Ethanol plant operations are highly dependent on commodity prices, especially prices for corn, ethanol, distiller's grains and natural gas. Because the market prices of these commodities are not always correlated, at times ethanol production may be unprofitable. As commodity price volatility poses a significant threat to our margin structure, we have implemented a risk management strategy focused on securing favorable operating margins. We monitor market prices of corn, natural gas and other input costs relative to the prices for ethanol and distiller's grains in Luverne, Minnesota, the location of the Agri-Energy facility. We also seek to create offsetting positions by using derivative instruments, fixed-price purchases and sales contracts or a combination of strategies. Our primary focus is not to manage general price movements, such as seeking to minimize the cost of corn consumed, but rather to seek to acquire corn, net of exchange-traded contracted amounts, at prices that reflect the then-current pricing for ethanol sold. By using a variety of risk management tools and hedging strategies we believe we will be able to maintain a disciplined approach to risk.

Revenues, Cost of Goods Sold and Operating Expenses

Revenues

We derive revenue from the sale of ethanol, distiller's grains and other products produced as part of the ethanol production process and we expect that we will continue to record revenue from these sources during the period of the retrofit of the Agri-Energy facility to isobutanol production. Revenue from the sale of ethanol and related products is recorded when all of the following criteria are satisfied: persuasive evidence of an arrangement exists, risk of loss and title transfer to the customer, the price is fixed or determinable and collectability of the revenue is reasonably assured.

Revenues relating to government research grants and cooperative agreements are recognized in the period during which the related costs are incurred, provided that the conditions under the awards have been met and only perfunctory obligations are outstanding.

Cost of Goods Sold and Gross Margin

Our gross margin is derived from our total revenues less our cost of goods sold. Cost of goods sold includes costs for materials, direct labor and certain plant overhead costs.

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. Upfront fees and milestone payments made under licensing agreements, payments for sponsored research and university research gifts to support research at academic institutions are recorded as research and development expense.

Selling, General and Administrative

Selling, general and administrative expense consists 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. Following completion of our initial public offering in February 2011, we began incurring a significant increase in selling, general and administrative expense as we incur additional compliance costs as a public company. We expect to incur significant costs to comply with the corporate governance, internal controls and similar requirements applicable to public companies, as well as increased costs for insurance, costs related to the hiring of additional personnel and payment to outside consultants, attorneys and accountants.

We also record selling, general and administrative expenses for the operations of the Agri-Energy facility that include administrative and oversight, labor, insurance and other operating expenses.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and include our accounts and the accounts of our wholly owned subsidiaries, Gevo Development, LLC ("Gevo Development") and Agri-Energy. The preparation of our condensed 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 condensed 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.

While our significant accounting policies are more fully described in Note 1 to our condensed consolidated financial statements included in this Report, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our reported financial results and reflect the more significant judgments and estimates that we use in the preparation of our condensed consolidated financial statements.

Stock-Based Compensation

We account for stock-based compensation for awards to employees in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718, *Compensation-Stock Compensation*. Under the provisions of FASB ASC 718, stock-based compensation for awards to employees is measured at the grant date based on the fair value of the awards and is recognized as expense over the required service period of the award. We estimate the fair value of stock options issued to employees using the Black-Scholes option-pricing model.

We account for stock-based awards to nonemployees using a fair value method in accordance with FASB ASC 718 and FASB ASC 505-50, *Equity-Equity-Based Payments to Non-Employees*. We determine the estimated fair value of stock options issued to nonemployees using the Black-Scholes option-pricing model. The fair values of the stock options and stock-based awards granted to nonemployees are remeasured as the services are performed and the awards vest, and the resulting change in value, if any, is recognized as expense during the period the related services are rendered.

The following table summarizes the stock options granted from January 1, 2008 through September 30, 2011 with their exercise prices, the fair value of the underlying common stock and the intrinsic value per share, if any:

Date of issuance	Number of options	Exercise price and fair value per share of common stock
January 7, 2008 to February 25, 2008	64,500	$ 0.49
June 12, 2008 to December 4, 2008	803,459	$ 1.16
November 16, 2009 to December 1, 2009	863,720	$ 2.70
June 3, 2010 to June 24, 2010	381,930	$ 10.07
September 10, 2010 to September 13, 2010	64,950	$ 12.67
March 3, 2011	28,000	$ 19.10
March 23, 2011	202,504	$ 17.53
May 6, 2011	15,000	$ 19.14
June 14, 2011	41,250	$ 16.50
June 16, 2011	105,600	$ 16.19
June 20, 2011	101,500	$ 14.81
July 11, 2011	50,800	$ 16.55
July 18, 2011	5,000	$ 17.47
August 17, 2011	4,500	$ 11.42
September 15, 2011	10,828	$ 8.73

During the three and nine months ended September 30, 2011, we also granted 7,159 and 119,252, respectively, shares of restricted common stock to board members and certain officers of the company that vest over a 36 month period from the date of grant. We did not grant any shares of restricted common stock during the three and nine months ended September 30, 2010.

Significant Factors, Assumptions and Methodologies used in Determining Fair Value

We have estimated the fair value of our stock option grants using the Black-Scholes option-pricing method. We calculate the estimated volatility rate based on selected comparable public companies, due to a lack of historical information regarding the volatility of our stock price. We will continue to analyze the historical stock price volatility assumption as more historical data for our common stock becomes available. Due to our limited history of grant activity, we calculate the expected life of options granted using the “simplified method” permitted by the SEC as the arithmetic average of the total contractual term of the option and its vesting period. The risk-free interest rate assumption was based on the U.S. Treasury yield curve in effect during the year of grant for instruments with a term similar to the expected life of the related option. No dividends are expected to be paid. Forfeitures have been estimated based upon our historical and expected forfeiture experience.

During the three and nine months ended September 30, 2011 and 2010, we recognized a total of $1,889,000, $5,119,000, $8,133,000 and $10,024,000, respectively, in stock-based compensation expense relating to equity awards of stock options and restricted common stock, as well as a warrant issued to CDP Gevo, LLC (“CDP”) and the purchase of the 10% minority interest in Gevo Development held by CDP pursuant to an equity purchase agreement. Each of the owners of CDP is employed by us as an Executive Vice President, Upstream Business Development and a co-managing director of Gevo Development.

Common Stock Valuations

Prior to the closing of our initial public offering on February 14, 2011, we were a private company. In the absence of a public trading market, we determined a reasonable estimate of the then-current fair value of our common stock for purposes of granting stock-based compensation based on multiple criteria. We determined the fair value of our common stock utilizing methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Aid, “*Valuation of Privately-Held-Company Equity Securities Issued as Compensation*” (“AICPA Practice Aid”). In addition, we exercised judgment in evaluating and assessing the foregoing based on several factors including:

- the nature and history of our business;
- our historical operating and financial results;
- the market value of companies that are engaged in a similar business to ours;
- the lack of marketability of our common stock;

- the price at which shares of our preferred stock have been sold;
- the liquidation preference and other rights, privileges and preferences associated with our preferred stock;
- our progress in developing our isobutanol production technology;
- our progress towards achieving commercial performance targets for our bacteria and yeast based biocatalysts;
- our progress towards producing isobutanol at the one MGPY demonstration plant scale;
- the risks associated with transferring our isobutanol production technology to full commercial scale settings;
- the overall inherent risks associated with our business at the time stock option grants were approved; and
- the overall equity market conditions and general economic trends.

We considered the factors outlined above, as well as the results of independent outside valuations performed as of the dates listed in the table below, in determining the underlying fair value of our common stock. We used an option-pricing method, as well as other factors outlined above, to estimate the fair value of our common stock as follows:

Valuation date	Fair value per share
March 31, 2010	$ 10.07
August 31, 2010	$ 12.67
September 30, 2010	$ 18.97
December 31, 2010	$ 14.90

In May 2010, we completed a valuation to estimate the fair market value of a share of our common stock as of March 31, 2010 using the option-pricing method. We first estimated our enterprise value and then allocated this value to the underlying classes of equity using the option-pricing method as outlined in the AICPA Practice Aid. In estimating the enterprise value, we used a scenario analysis incorporating probabilities of future events for existing stockholders of an initial public offering, merger/acquisition (“M&A”), or an orderly liquidation to calculate an overall estimated enterprise value of the company. To calculate the enterprise value in the initial public offering and M&A scenarios, we used an income approach which incorporated a discounted cash flow valuation. This approach requires a projection of the cash flows that the business expects to generate over a forecast period and an estimate of the present value of cash flows beyond that period, which is referred to as terminal value. These cash flows are converted to present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risks inherent in the business. The orderly liquidation scenario considered the total preferences of the preferred stockholders assuming no further rounds of financing after Series D-1. To allocate the enterprise value to the underlying classes of equity, we used the option-pricing method. Within the allocation model, we estimated a time until liquidity event of six months, a risk-free discount rate of 0.24% and a volatility input of 59.79% based upon 6 months of data from a set of comparable public company stocks. We estimated a fair market value at March 31, 2010 of $10.07 per common share.

In September 2010, we completed a valuation to estimate the fair market value of a share of our common stock as of August 31, 2010 using the same methodology that we used for our valuation as of March 31, 2010. We estimated a fair value at August 31, 2010 of $12.67 per common share.

In October 2010, we completed a valuation to estimate the fair market value of a share of our common stock as of September 30, 2010 using the same methodology that we used for our valuations as of March 31, 2010 and August 31, 2010. We estimated a fair value at September 30, 2010 of $18.97 per common share. For the August 31, 2010 and September 30, 2010 valuations, we used the following assumptions: risk free interest rate of 0.15%, expected volatility of between 49.14% and 61.90%, and an expected time to a liquidity event of 0.17 years.

In February 2011, we completed a valuation to estimate the fair market value of a share of our common stock as of December 31, 2010 using the same methodology that we used for our valuations performed in 2010. We estimated a fair value at December 31, 2010 of $14.90 per common share. For the December 31, 2010 valuation, we used the following assumptions: risk free interest rate of 0.07%, expected volatility of 49.14%, and an expected time to a liquidity event of 0.08 years.

No single event caused the valuation of our common stock to increase from January 2008 to December 2010; rather, it was a combination of the following factors that led to the changes in the fair value of the underlying common stock:

- We completed our Series C financing in March 2008. The value of the company negotiated during this financing, led by two new investors, took into account our license agreement signed with The Regents of the University of California during the fall of 2007.
- We completed our Series D financing between April and August 2009. The value of the company negotiated during this financing, led by a new investor, took into account the operation of our pilot plant located at our facility in Colorado

during 2008, our partnership with ICM that was entered into in 2008, improvements in our first-generation biocatalyst and construction of our demonstration plant in St. Joseph, Missouri.

- We completed our Series D-1 financing between March and May 2010. The value of the company negotiated during this financing took into account several recent developments including commissioning our demonstration plant in St. Joseph, Missouri during September 2009, the establishment of Gevo Development in September 2009 in order to focus on accessing, financing and developing ethanol facilities for future retrofit to isobutanol production, significant improvements in the isobutanol yield of our second-generation biocatalyst and our entering into a number of letters of interest with potential future customers.
- We completed the acquisition of Agri-Energy in September 2010 gaining access to our first commercial facility for future retrofit to isobutanol production.
- As of October 2010, our second-generation biocatalyst had achieved a fermentation time of 52 hours and achieved approximately 94% of the theoretical maximum yield of isobutanol from feedstock, meeting our targeted fermentation performance criteria well in advance of our planned commercial launch of isobutanol production in the first half of 2012.

There is inherent uncertainty in these estimates and if we had made different assumptions than those described above, the amount of our stock-based compensation expense, net loss and net loss per share amounts could have been significantly different.

After the closing of our initial public offering on February 14, 2011, we use the closing price of our stock on the NASDAQ exchange as the input for the fair value of our common stock for Black-Scholes option-pricing model calculations.

Estimation of Fair Value of Warrants to Purchase Preferred Stock

Effective January 1, 2009 upon the adoption of FASB ASC 815, *Derivatives and Hedging*, all warrants issued by us that were exercisable into preferred stock were accounted for as derivatives and recognized in our consolidated balance sheets as fair value of warrant liabilities at their estimated fair value. As such, effective January 1, 2009, we reclassified the fair value of these preferred stock warrants from equity to liability status as if these warrants had been recorded as a derivative liability since their dates of issuance. We determined that this treatment was appropriate because the preferred stock underlying the warrants had down-round protection.

Upon the closing of our initial public offering on February 14, 2011 and the conversion of the underlying preferred stock to common stock, all outstanding warrants to purchase shares of preferred stock converted into warrants to purchase shares of our common stock. The then-current aggregate fair value of these warrants of $2,063,000 was reclassified from liabilities to additional paid-in capital, a component of stockholders' equity, and these warrants are no longer subject to periodic fair value adjustments. The 303,173 preferred stock warrants that were outstanding at December 31, 2010 became exercisable for 398,032 shares of our common stock upon completion of our initial public offering on February 14, 2011.

As of December 31, 2010, the fair value of preferred stock warrants was estimated to be $2,034,000 using an option-pricing model. During the three months ended September 30, 2011 and 2010, we recorded $0 and $2,052,000, respectively, in non-cash charges related to the change in fair value of preferred stock warrants. During the nine months ended September 30, 2011 and 2010, we recorded $29,000 and $3,302,000, respectively, in non-cash charges related to the change in fair value of preferred stock warrants.

Preferred stock warrants were initially issued by us in connection with the issuance of secured long-term debt and convertible promissory notes. The preferred stock warrants were not issued with the intent of effectively hedging any exposures to cash flow, market or foreign currency risks. The warrants do not qualify for hedge accounting, and as such, the changes in the fair value of these warrants were recognized in earnings until the warrants were converted to common stock warrants upon the completion of our initial public offering on February 14, 2011. The warrants do not trade in an active market and due to the nature of these derivative instruments, the instruments contain no credit-risk-related contingent features.

To value our preferred stock warrants prior to the conversion of these warrants to common stock warrants upon our initial public offering in February 2011, we first estimated our enterprise value and then allocated this value to the underlying classes of equity using the option-pricing method as outlined in the AICPA Practice Aid. In estimating the enterprise value, we used a scenario analysis incorporating probabilities of future events for existing stockholders of an initial public offering, M&A transaction, or liquidation to calculate an overall estimated enterprise value of the company using the option-pricing method. To calculate the enterprise value in the initial public offering and M&A scenarios, we used an income approach which incorporated a discounted cash flow valuation. This approach requires a projection of the cash flows that the business expects to generate over a forecasted period and an estimate of the present value of cash flows beyond that period, which is referred to as terminal value. These cash flows are converted to present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risks inherent in the business. The orderly liquidation scenario considered the total preferences of the preferred stockholders assuming no further rounds of financing after our Series D-1. To allocate the enterprise value to the underlying classes of equity, we used the option-pricing method.

There is inherent uncertainty in these estimates and if we had made different assumptions than those described above, the amount of our loss on change in fair value of preferred stock warrants, net loss and net loss per share amounts could have been significantly different.

Beneficial Conversion Feature of Series D-1 Preferred Stock Financing

Gevo, Inc. issued a total of 1,902,087 shares of Series D-1 preferred stock between March and May 2010 and recorded a beneficial conversion feature at its aggregate intrinsic value of approximately $5,744,000 as a discount on the Series D-1 preferred stock with a corresponding credit to additional paid-in capital.

For the period from January 1, 2011 to the closing of our initial public offering on February 14, 2011, we recorded a deemed dividend – amortization of beneficial conversion feature on our Series D-1 preferred stock of $495,000. Upon the closing of our initial public offering on February 14, 2011 and the automatic conversion of our Series D-1 preferred stock to common stock, we recalculated the intrinsic value of the beneficial conversion feature using the adjusted conversion ratio applied against the original commitment-date estimated fair value of the underlying common stock. The amount of the recalculated intrinsic value of the beneficial conversion feature exceeded the previously amortized amount of the beneficial conversion feature by $599,000, which amount was immediately amortized to retained earnings and additional paid-in capital contemporaneously with the closing of the initial public offering on February 14, 2011. Other than the entries recorded through, and upon, the closing of our initial public offering, no additional amortization of the beneficial conversion feature relating to our Series D-1 preferred stock will be recorded.

Revenue Recognition

Following consummation of the Agri-Energy acquisition on September 22, 2010, we record revenue from the sale of ethanol and related products. We recognize revenue when all of the following criteria are satisfied: persuasive evidence of an arrangement exists; risk of loss and title transfer to the customer; the price is fixed or determinable; and collectability is reasonably assured. Ethanol and related products are generally shipped free on board shipping point. Collectability of revenue is reasonably assured based on historical evidence of collectability between us and our customers. In accordance with our agreements for the marketing and sale of ethanol and related products, commissions due to marketers are deducted from the gross sales price at the time payment is remitted. Ethanol and related products sales are recorded net of commissions.

Revenue related to our government research grants and cooperative agreements is recognized in the period during which the related costs are incurred, provided that the conditions under the awards have been met and only perfunctory obligations are outstanding. Intercompany revenues, if any, are eliminated on a consolidated basis for reporting purposes.

Cost of Goods Sold

Cost of goods sold includes costs for materials, direct labor and certain plant overhead costs. Direct materials consist of the costs of corn feedstock, denaturant and process chemicals. Direct labor includes compensation of non-management personnel involved in the operation of the ethanol plant. 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 for corn and natural gas as a means of securing corn and natural gas used in ethanol production. These transactions are considered to be derivatives and prior to January 1, 2011 were recorded on the balance sheet as assets and liabilities based on each derivative's fair value. The changes in the fair value of these derivative contracts were recognized in income, as a component of cost of goods sold. Effective January 1, 2011, we designate all of our forward purchase contracts for corn and natural gas under the normal purchases and normal sales scope exception and therefore they will no longer be marked to market. To qualify for the normal purchases and normal sales scope exception, a contract must provide for the purchase or sale of commodities in quantities that are expected to be used or sold over a reasonable period of time in the normal course of operations. We also enter into exchange-traded futures contracts for corn as a means of managing exposure to changes in corn prices. These transactions are considered to be derivatives and are recorded on the balance sheet as assets and liabilities based on each derivative's fair value. Changes in the fair value of the derivative contracts are recognized currently in income, as a component of cost of goods sold, unless specific hedge accounting criteria are met. We have not designated any of our derivatives as hedges for financial reporting purposes.

Inventory

Corn, ethanol, distiller's grains, enzymes and other inventory items are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method. Ethanol inventory cost consists of the applicable share of raw material, direct labor and manufacturing overhead costs.

Derivatives and Hedging

Our activities expose us to a variety of market risks, including the effects of changes in commodity prices. These financial exposures are monitored and managed by our management as an integral part of our overall risk-management program. Our 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 our operating results.

We periodically enter into forward purchase contracts for corn and natural gas to ensure supply and manage the prices of these commodities. These contracts are considered to be derivative transactions. Effective January 1, 2011, we designate all of our forward purchase contracts for corn and natural gas under the normal purchases and normal sales scope exception and therefore they are no longer marked to market.

We generally follow a policy of using exchange-traded futures contracts to reduce our net position in agricultural commodity inventories and forward cash purchase contracts to reduce price risk. Exchange-traded futures contracts are valued at market price and are recorded as derivative assets or derivative liabilities on the consolidated balance sheet and changes in market price are recorded in cost of goods sold.

Our derivatives do not include any credit risk related contingent features. For the exchange-traded contracts, we maintain a margin deposit. We have not entered into these derivative financial instruments for trading or speculative purposes, and we have not designated any of our derivatives as hedges for financial accounting purposes.

Impairment of Long-lived Assets

In accordance with FASB ASC 360, *Property, Plant, and Equipment*, we assess impairment of long-lived assets, which include property, plant and equipment, for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to, significant decreases in the market price of the asset; significant adverse changes in the business climate, legal or regulatory factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; or expectations that the asset will more likely than not be sold or disposed of significantly before the end of its estimated useful life.

Upon our acquisition of Agri-Energy on September 22, 2010, we recorded the acquired property, plant and equipment at their fair values. The Agri-Energy acquired property, plant and equipment constitute a majority of our total property, plant and equipment.

We have not yet generated positive cash flows from operations, and such cash flows may not materialize for a significant period in the future, if ever. Additionally, we may make changes to our business plan that will result in changes to the expected cash flows from long-lived assets. As a result, it is possible that future evaluations of long-lived assets may result in impairment.

We make estimates and judgments about future undiscounted cash flows. Although our cash flow forecasts are based on assumptions that are consistent with our plans, there is significant exercise of judgment involved in determining the cash flow attributable to a long-lived asset over its estimated remaining useful life. As a result, the carrying amounts of our long-lived assets could be reduced through impairment charges in the future.

Result of Operations

Comparison of the three months ended September 30, 2011 and 2010

	Three months ended September 30, 2011	Three months ended September 30, 2010	$ Increase (decrease)	% Change
Revenue:				
Ethanol sales and related products, net	$ 17,318,000	$ 975,000	$16,343,000	1,676%
Licensing revenue	—	138,000	(138,000)	(100%)
Grant revenue	188,000	383,000	(195,000)	(51%)
Total revenues	17,506,000	1,496,000	16,010,000	1,070%
Cost of goods sold	(16,232,000)	(856,000)	15,376,000	1,796%
Gross margin	1,274,000	640,000	634,000	99%
Operating expenses:				
Research and development	(5,211,000)	(3,554,000)	1,657,000	47%
Selling, general and administrative	(7,587,000)	(11,601,000)	(4,014,000)	(35%)
Loss on abandonment or disposal of assets	—	—	—	N/A
Total operating expenses	(12,798,000)	(15,155,000)	(2,357,000)	(16%)
Loss from operations	(11,524,000)	(14,515,000)	(2,991,000)	(21%)
Other (expense) income:				
Interest and other expense	(798,000)	(779,000)	19,000	2%
Interest and other income	17,000	38,000	(21,000)	(55%)
Loss from change in fair value of warrant liabilities	—	(2,052,000)	(2,052,000)	(100%)
Other expense—net	(781,000)	(2,793,000)	(2,012,000)	(72%)
Net loss	(12,305,000)	(17,308,000)	(5,003,000)	(29%)
Deemed dividend—amortization of beneficial conversion feature on Series D-1 preferred stock	—	(989,000)	(989,000)	(100%)
Net loss attributable to Gevo, Inc. common stockholders	$ (12,305,000)	$ (18,297,000)	$ (5,992,000)	(33%)

Revenues: The increase in ethanol sales and related products of $16,343,000, or 1,676%, is due to our acquisition of Agri-Energy on September 22, 2010. The decrease in grant revenue of $195,000, or 51%, primarily relates to a grant award from the U.S. Department of Energy that ended in August 2010.

Cost of goods sold and gross margin: The increase in cost of goods sold of $15,376,000, or 1,796%, relates to our acquisition of Agri-Energy on September 22, 2010. Prior to our acquisition of Agri-Energy, we did not incur or report cost of goods sold.

Research and development: The increase in research and development expense of $1,657,000, or 47%, was primarily driven by increased payroll and related expenses, including stock-based compensation, of $761,000 and increased operating expenses at our demonstration plants and laboratory supplies and services used in our development efforts of $259,000. We also had increases in consulting, contractor and outside service provider expenses of $374,000. Research and development expense includes stock-based compensation expense of $251,000 and $157,000 for the three months ended September 30, 2011 and 2010, respectively.

Selling, general and administrative: The decrease in selling, general and administrative expense of $4,014,000, or 35%, was primarily driven by decreased stock-based compensation of $6,338,000 and a decrease of $239,000 in management fees paid to CDP, partially offset by increased payroll and related expenses, including relocation and recruiting expenses, of $921,000, increased legal, accounting, tax and public company filing and related fees of $1,105,000, increased public relations and corporate development costs of $264,000, increased business development consultants costs of $208,000 and increased administrative costs for Agri-Energy of $115,000. Selling, general and administrative expense included stock-based compensation expense of $1,638,000 and $7,976,000 for the three months ended September 30, 2011 and 2010, respectively. Included in the $1,638,000 of stock-based compensation in selling, general and administrative expense for the three months ended September 30, 2011 is $872,000 related to the warrant issued to CDP. Included in the $7,976,000 of stock-based compensation in selling, general and administrative expense for the three months ended September 30, 2010 is $6,978,000 related to the warrant issued to CDP.

Interest and other expense: Interest and other expense increased by $19,000, or 2%, due to the incurrence of additional debt, higher interest rates on our secured long-term debt facility and higher amortization of debt discounts and debt issue costs related to our debt with Lighthouse Capital Partners V, L.P. ("Lighthouse") and TriplePoint.

Loss from change in fair value of warrant liabilities: The decrease in loss from change in fair value of warrant liabilities of $2,052,000 related to the change in the fair value of our preferred stock warrants, which were recorded as derivatives and recognized in our consolidated balance sheet as a liability through the closing date of our initial public offering. Upon the closing of our initial public offering on February 14, 2011 and the conversion of the underlying preferred stock to common stock, all outstanding warrants to purchase shares of preferred stock converted into warrants to purchase shares of our common stock and are no longer considered to be derivatives.

Deemed dividend—amortization of beneficial conversion feature on Series D-1 preferred stock: The decrease in deemed dividend—amortization of beneficial conversion feature on Series D-1 preferred stock of $989,000 related to our issuance of Series D-1 preferred stock between March and May 2010. Upon closing of our initial public offering on February 14, 2011, no additional amortization of the beneficial conversion feature relating to our Series D-1 preferred stock will be recorded.

Comparison of the nine months ended September 30, 2011 and 2010

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	$ Increase (decrease)	% Change
Revenue:				
Ethanol sales and related products, net	$ 46,748,000	$ 975,000	$45,773,000	4,695%
Licensing revenue	—	138,000	(138,000)	(100%)
Grant revenue	572,000	1,175,000	(603,000)	(51%)
Total revenues	47,320,000	2,288,000	45,032,000	1,968%
Cost of goods sold	(45,062,000)	(856,000)	44,206,000	5,164%
Gross margin	2,258,000	1,432,000	826,000	58%
Operating expenses:				
Research and development	(13,815,000)	(11,432,000)	2,383,000	21%
Selling, general and administrative	(20,001,000)	(19,114,000)	887,000	5%
Loss on abandonment or disposal	(11,000)	—	11,000	N/A
Total operating expenses	(33,827,000)	(30,546,000)	3,281,000	11%
Loss from operations	(31,569,000)	(29,114,000)	2,455,000	8%
Other (expense) income:				
Interest and other expense	(2,541,000)	(1,448,000)	1,093,000	75%
Interest and other income	85,000	96,000	(11,000)	(11%)
Loss from change in fair value of warrant liabilities	(29,000)	(3,302,000)	(3,273,000)	(99%)
Other expense—net	(2,485,000)	(4,654,000)	(2,169,000)	(47%)
Net loss	(34,054,000)	(33,768,000)	286,000	1%
Deemed dividend—amortization of beneficial conversion feature on Series D-1 preferred stock	(1,094,000)	(1,789,000)	(695,000)	(39%)
Net loss attributable to Gevo, Inc. common stockholders	$ (35,148,000)	$ (35,557,000)	$ (409,000)	(1%)

Revenues: The increase in ethanol sales and related products of $45,773,000, or 4,695%, is due to our acquisition of Agri-Energy on September 22, 2010. The decrease in grant revenue of $603,000, or 51%, primarily relates to a grant award from the U.S. Department of Energy that ended in August 2010.

Cost of goods sold and gross margin: The increase in cost of goods sold of $44,206,000 relates to our acquisition of Agri-Energy on September 22, 2010. Prior to our acquisition of Agri-Energy, we did not incur or report cost of goods sold.

Research and development: The increase in research and development expense of $2,383,000, or 21%, was primarily driven by increased operating expenses at our demonstration plants and laboratory supplies and services used in our development efforts of $2,143,000 and increased payroll and related expenses, including stock-based compensation, of $1,484,000, partially offset by achievement of a research milestone under our licensing agreement with Cargill, Incorporated ("Cargill"), for which we recorded $1,578,000 in expense during the nine months ended September 30, 2010, and decreased depreciation of $308,000. We also incurred increases in consulting, contractor and outside service provider expenses of $428,000. Research and development expense includes stock-based compensation expense of $730,000 and $517,000 for the nine months ended September 30, 2011 and 2010, respectively.

Selling, general and administrative: The increase in selling, general and administrative expense of $887,000, or 5%, was primarily driven by increased payroll and related expenses, including relocation and recruiting, of $2,284,000, increased legal, accounting, tax and public company filing and related fees of $2,744,000, increased public relations and corporate development costs of $932,000, increased business development consultants of $376,000 and increased administrative costs for Agri-Energy of $341,000, partially offset by a decrease in stock-based compensation of $5,118,000 and a decrease of $716,000 in management fees paid to CDP. Selling, general and administrative expense included stock-based compensation expense of $4,389,000 and $9,507,000 for the nine months ended September 30, 2011 and 2010, respectively. Included in the $4,389,000 of stock-based compensation in selling, general and administrative expense for the nine months ended September 30, 2011 is $2,616,000 related to the warrant issued to CDP. Included in the $9,507,000 of stock-based compensation in selling, general and administrative expense for the nine months ended September 30, 2010 is $6,978,000 related to the warrant issued to CDP.

Interest and other expense: Interest and other expense increased by $1,093,000, or 75%, due to the incurrence of additional debt, higher interest rates on our secured long-term debt facility and higher amortization of debt discounts and debt issue costs related to our debt with Lighthouse and TriplePoint.

Loss from change in fair value of warrant liabilities: The decrease in loss from change in fair value of warrant liabilities of $3,273,000, or 99%, related to the change in the fair value of our preferred stock warrants, which were recorded as derivatives and recognized in our consolidated balance sheet as a liability through the closing date of our initial public offering. Upon the closing of our initial public offering on February 14, 2011 and the conversion of the underlying preferred stock to common stock, all outstanding warrants to purchase shares of preferred stock converted into warrants to purchase shares of our common stock and are no longer considered to be derivatives.

Deemed dividend—amortization of beneficial conversion feature on Series D-1 preferred stock: The increase in deemed dividend—amortization of beneficial conversion feature on Series D-1 preferred stock of $695,000 related to our issuance of Series D-1 preferred stock between March and May 2010. Upon closing of our initial public offering on February 14, 2011, no additional amortization of the beneficial conversion feature relating to our Series D-1 preferred stock will be recorded.

Liquidity and Capital Resources

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 $110,408,000, after deducting underwriting discounts and commissions and other offering costs.

From inception to September 30, 2011, we have funded our operations primarily through the sale of preferred equity securities, borrowings under our secured debt financing arrangements, revenues earned and the net proceeds from our initial public offering. To date, we have not generated any revenues from the sale of isobutanol.

As of September 30, 2011, our cash and cash equivalents totaled $97,605,000. Based on our current level of operations and anticipated growth, we believe that our existing cash and cash equivalents on hand will provide adequate funds for ongoing operations, planned capital expenditures and working capital requirements for at least the next 12 months. Possible future joint

ventures or acquisitions involving ethanol plant assets for retrofit to isobutanol production may be subject to our raising additional capital through future equity or debt issuances. 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.

We will require additional funding to achieve our goal of producing and selling over 350 million gallons of isobutanol in 2015.

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

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net cash used in operating activities	$ (25,760,000)	$ (15,870,000)
Net cash used in investing activities	$ (3,540,000)	$ (24,810,000)
Net cash provided by financing activities	$ 111,631,000	$ 41,956,000

Operating Activities

Our primary uses for cash from operating activities are personnel-related expenses and research and development-related expenses including costs incurred under development agreements, for licensing of technology and for the operation of our demonstration production facility.

Cash used in operating activities of $25,760,000 for the nine months ended September 30, 2011 reflected our net loss of $34,054,000, partially offset by changes in operating assets and liabilities of $774,000 and non-cash charges totaling $7,520,000. Non-cash charges included depreciation and amortization of $3,372,000, stock-based compensation of $4,897,000, loss from change in fair value of warrant liabilities of $29,000 and non-cash interest expense and amortization of debt discounts of $625,000, which were offset by a gain in derivative assets of $1,414,000. The net source of cash from our operating assets and liabilities of $774,000 primarily reflected an increase in accounts payable and accrued expenses.

Cash used in operating activities of $15,870,000 during the nine months ended September 30, 2010 reflected our net loss of $33,768,000 offset by non-cash charges totaling $15,228,000 and changes in operating assets and liabilities of $2,670,000. Non-cash charges included stock-based compensation of $9,250,000, loss from change in fair value of warrant liabilities of $3,302,000, depreciation and amortization of $2,173,000 and non-cash interest expense and amortization of debt discounts of $573,000, which were offset by a gain in derivative assets of $70,000. The net source of cash from our operating assets and liabilities of $2,670,000 primarily reflected accrued milestone payments under our Cargill license agreement that are payable in 2011 and 2012 and amounts accrued for work performed by ICM.

Investing Activities

During the nine months ended September 30, 2011, cash used in investing activities included $3,580,000 for capital expenditures, including $2,120,000 relating to our retrofit of the Agri-Energy facility to isobutanol production which is recorded as construction in progress.

During the nine months ended September 30, 2010, cash used in investing activities included $472,000 for capital expenditures and $24,378,000 related to the purchase and acquisition of Agri-Energy (aggregate cash purchase price of $24,963,000 less cash acquired of $585,000).

Financing Activities

During the nine months ended September 30, 2011, cash provided by financing activities was $111,631,000, primarily due to the net proceeds from our initial public offering, after deducting underwriting discounts and commissions and other offering expenses paid during the period, less principal repayments of $1,402,000 on our debt with Lighthouse.

During the nine months ended September 30, 2010, cash provided by financing activities was $41,956,000, primarily due to the net proceeds of $31,411,000 from our sale of Series D-1 preferred stock, debt borrowings from TriplePoint of $17,500,000, proceeds from the exercise of a preferred stock warrant of $592,000, repayment of $5,000,000 of principal and $250,000 of final payment under our debt with Lighthouse, payment of deferred offering costs relating to our initial public offering of $1,351,000 and payment of debt issue costs relating to our TriplePoint debt of $962,000.

Agri-Energy Acquisition

In September 2010, we acquired the Agri-Energy facility that we are retrofitting to produce isobutanol. We paid a purchase price of approximately $20.6 million. In addition, we acquired and paid $4.9 million for working capital. We paid the aggregate purchase price with available cash reserves and by borrowing $12.5 million under our loan and security agreement with TriplePoint (as described below). We have begun the retrofit of the Agri-Energy facility. We intend to increase the potential production capacity of the Agri-Energy facility in anticipation of future improvements from our yeast biocatalyst. We project capital costs for the retrofit of the Agri-Energy facility to be $22 million, including the ability to switch between ethanol and isobutanol production, plus additional capital to allow for the anticipated increased future production capacity. In addition to the retrofit to isobutanol production

at the Agri-Energy facility, in July 2011 we made the strategic decision to invest in an enhanced yeast seed train at the Agri-Energy facility to maintain direct oversight over our current yeast material and future yeast development and to provide on-site yeast production. We estimate capital costs for the enhanced yeast seed train to be approximately $10 million. We expect to begin commercial production of isobutanol at the Agri-Energy facility in the first half of 2012. While we believe we will have the ability to reverse the retrofit and switch between ethanol and isobutanol production, there is no guarantee that this will be the case and it is not our intent to do so.

Redfield Energy, LLC

On June 15, 2011, we 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, 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 for the commercial production of isobutanol (the "Redfield Retrofit"). 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 in exchange for a payment of $1,000, which has been recorded on our balance sheet in other assets. Gevo Development is the sole holder of Class G units which entitle Gevo Development to certain information and governance rights with respect to Redfield, including the right to appoint two members of Redfield's 11-member board of managers. The Class G units currently carry no interest in the allocation of profits, losses or other distributions of Redfield and no voting rights. Such rights will vest upon the commencement of commercial isobutanol production at the Redfield facility, at which time Gevo Development anticipates consolidating Redfield's operations because Gevo anticipates it will control the activities that are most significant to the entity.

Gevo Development will be responsible for all costs associated with the Redfield Retrofit. 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 Redfield 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 have been 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 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 facility once commercial production of isobutanol has begun. Additionally, Gevo, Inc. will license the technology necessary to produce isobutanol at the 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 Redfield Retrofit.

As of September 30, 2011, we have not incurred any costs for the Redfield Retrofit.

Gevo Development, LLC and CDP Gevo, LLC

In September 2010, Gevo, Inc. acquired 100% of the class B interests in Gevo Development, which comprise 10% of the outstanding equity interests of Gevo Development, from CDP pursuant to an equity purchase agreement. Gevo, Inc. currently owns 100% of the outstanding equity interests of Gevo Development as a wholly owned subsidiary. In exchange for the class B interests, CDP will receive aggregate consideration of up to approximately $1,143,000, of which $996,000 has been paid as of September 30,

2011 and the remainder of which is payable through January 1, 2012, subject to the terms and conditions set forth in the agreement. As of September 22, 2010, each of the owners of CDP is employed by Gevo, Inc.

Cargill, Incorporated

During February 2009, we entered into a license agreement with 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 $4,300,000 that are payable 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 $875,000 to research and development expense. During March 2010, we completed milestone number three and recorded the related milestone amount of $2,000,000 to research and development expense at its present value amount of $1,578,000 because the milestone payment will be paid over a period greater than twelve months from the date it was incurred. At September 30, 2011, the present value of the liability, $1,137,000, was recorded as $924,000 in accounts payable and accrued expenses and $213,000 in non-current liabilities. Milestones number four and five representing potential payments of up to $1,500,000 have not been met as of September 30, 2011. Upon commercialization of a product which uses the Cargill biological material or is otherwise covered by the patent rights under this 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' 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. The accretion of the liability was recorded to interest expense.

Secured Long-Term Debt

Lighthouse Loan and Security Agreement. On December 18, 2006, we entered into a loan and security agreement, as amended, with Lighthouse. On August 6, 2010, we repaid $5,000,000 in outstanding principal, as well as $250,000 of the final payment, under the promissory note issued in connection with the loan and security agreement, using amounts borrowed pursuant to a loan and security agreement with TriplePoint, as well as available cash reserves. As of September 30, 2011, our outstanding principal balance on our loan with Lighthouse was $1,533,000. The promissory note bears interest at a rate of 12% per annum, required interest only payments during the year ended December 31, 2010, and requires principal plus interest repayments of equal amounts over the 18 months commencing January 1, 2011 and a final payment of $204,000 due on July 1, 2012.

Under the terms of the loan agreement, we are prohibited from granting a security interest in our intellectual property assets to any other entity until Lighthouse is paid in full, and Lighthouse maintains a security interest in the assets, including equipment and fixtures, financed by the proceeds of each original loan advance made under the loan agreement until such time as the loan is paid in full. The Lighthouse agreement does not contain financial ratio covenants, but does impose certain affirmative and negative covenants, which include prohibiting us from paying any dividends or distributions or creating any liens against the collateral as defined in the agreement, as amended. We cannot borrow any further amounts under our agreement with Lighthouse. At September 30, 2011, we were in compliance with the Lighthouse debt covenants.

TriplePoint Loan and Security Agreement 1. In August 2010, concurrently with the execution of the acquisition agreement with Agri-Energy, Gevo, Inc. entered into a loan and security agreement with TriplePoint, pursuant to which we borrowed $5,000,000 (the "Gevo Loan Agreement"). The Gevo Loan Agreement includes customary affirmative and negative covenants for agreements of this type and events of default, including, disposing of certain assets, granting or otherwise allowing the imposition of a lien against certain assets, incurring certain amounts of additional indebtedness, or acquiring or merging with another entity, excluding Agri-Energy, unless we receive the prior approval of TriplePoint. The aggregate amount outstanding under the Gevo Loan Agreement bears interest at a rate equal to 13%, is subject to an end-of-term payment equal to 8% of the amount borrowed and is secured by substantially all of the assets of Gevo, Inc., other than our intellectual property. This loan is also secured by substantially all of the assets of Agri-Energy, LLC. Additionally, 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, Gevo, Inc. is prohibited from granting a security interest in its intellectual property assets to any other entity until both TriplePoint loans are paid in full. The loan matures on August 31, 2014, and provides for interest only payments during the first 24 months. An additional interest-only period of 6 months may be elected in the event that Gevo, Inc. begins producing isobutanol at its Agri-Energy facility by June 30, 2012. We used the funds from this loan to repay a portion of our existing indebtedness with Lighthouse. At September 30, 2011, we were in compliance with the debt covenants under the Gevo Loan Agreement.

TriplePoint Loan and Security Agreement 2- Part 1. In August 2010, Gevo Development borrowed $12,500,000 from TriplePoint to finance its acquisition of Agri-Energy and 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, and provides for interest-only payments during the first 24 months. An additional interest-only period of 6 months may be elected in the event that Gevo, Inc. begins producing isobutanol at its Agri-Energy facility by June 30, 2012. 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. At September 30, 2011, we were in compliance with the debt covenants under the Original Agri-Energy Loan Agreement.

TriplePoint Loan and Security Agreement 2- Part 2. In October 2011, Agri-Energy entered into an amended and restated loan and security agreement (the "Amended Agri-Energy Loan Agreement") with TriplePoint. The Amended Agri-Energy Loan Agreement 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 $15,000,000 (the "New Loan") (which amount is in addition to the existing $12,500,000 term loan provided under the Original Agri-Energy Loan Agreement, which term loan remains in place under the Amended Agri-Energy Loan Agreement), the proceeds of which will be used to pay a portion of the costs, expenses, and other amounts associated with the retrofit of Agri-Energy's ethanol plant in Luverne, Minnesota to produce isobutanol. The loan matures on October 31, 2015 with the last monthly amortization payment due on the date of such advance. The interest rate is the prime rate, as published by the Wall Street Journal on the day before each advance, plus 7.75% and in no event will the prime rate be less than 3.25%, and is subject to an end-of-term payment equal to 5.75% of the amount borrowed. The New Loan provides for interest only payments through July 1, 2012 and an additional interest-only period of 6 months on the New Loan may be elected in the event that the Company has received net offering proceeds of at least $75 million from one or more secondary equity offerings by June 30, 2012. On October 20, 2011, Agri-Energy borrowed $10 million under the Amended Agri-Energy Loan Agreement. Upon our request and the additional approval of TriplePoint, we may borrow an additional $5,000,000 under the Amended Agri-Energy Loan Agreement increasing the maximum size of the New Loan to $20,000,000.

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, which secures its guarantee of Agri-Energy's obligations (including up to $32,500,000 in term loans) under the Amended Agri-Energy Loan Agreement.

Additionally, concurrent with the execution of the Amended Agri-Energy Loan Agreement, we entered into a warrant agreement with TriplePoint pursuant to which TriplePoint is entitled to purchase up to 188,442 shares of our common stock, par value $0.01, on the terms and subject to the conditions set forth in the warrant agreement, at a price per share of $7.96, subject to adjustment, exercisable for a period of seven years from the effective date of the warrant agreement.

Contractual Obligations and Commitments

The following summarizes the future commitments arising from our contractual obligations at December 31, 2010:

	Total	2011	2012	2013	2014	2015 and Thereafter
Secured long-term debt, including current portion (before debt discounts)(1)	$22,038,000	$1,897,000	$3,371,000	$ 8,478,000	$8,292,000	$ —
Cash interest payments on long-term debt(1)	6,742,000	2,536,000	2,312,000	1,523,000	371,000	—
Operating leases(2)	1,288,000	499,000	497,000	292,000	—	—
Payments to CDP for purchase of Class B interest(3)	369,000	295,000	74,000	—	—	—
Payments due under Cargill license agreement (4)	2,000,000	1,000,000	1,000,000	—	—	—
Total	$32,437,000	$6,227,000	$7,254,000	$10,293,000	$8,663,000	$ —

(1) Includes principal and final payments on our long-term debt as of December 31, 2010. With respect to each of the TriplePoint loans outstanding at December 31, 2010, an additional interest-only period of 6 months may be elected in the event that Gevo, Inc. is producing isobutanol at its Agri-Energy facility by June 30, 2012. If the additional interest-only period is elected, the amounts shown during the years ended December 31, 2012 through 2014 will be different. In October 2011, we borrowed an additional $10 million from TriplePoint, see "—Secured long-term debt" above.

(2) Our commitments for operating leases primarily relate to our leased facility in Englewood, Colorado.

(3) In September 2010, Gevo, Inc. purchased all of the outstanding class B interests in Gevo Development from CDP pursuant to an equity purchase agreement. In exchange for the class B interests, CDP will receive aggregate consideration of up to approximately $1,143,000, of which $774,000 was paid in 2010, and the remainder of which is payable through January 1, 2012, subject to the terms and conditions set forth in the equity purchase agreement.

(4) During March 2010, we completed milestone number three under our license agreement with Cargill which is being paid as $2,000,000 over eight quarters beginning January 1, 2011.

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.

Recent Accounting Pronouncements

Refer to Note 1 in the accompanying notes to our condensed consolidated financial statements for a discussion of recent accounting pronouncements, if any.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our market risk profile has not changed significantly during the first nine months of 2011.

Interest Rate Risk

We had unrestricted cash and cash equivalents totaling $97,605,000 at September 30, 2011. These amounts were invested primarily in demand deposit checking and savings accounts and are held for working capital purposes. The primary objective of our investment activities is to preserve our capital for the purpose of funding our operations. We do not enter into investments for trading or speculative purposes. We believe we do not have material exposure to changes in fair value as a result of changes in interest rates. Declines in interest rates, however, will reduce future investment income. If overall interest rates fell by 10% during the three months

ended September 30, 2011 and 2010, our interest income would have declined by approximately $0 and $4,000, respectively, assuming consistent investment levels.

The terms of our Lighthouse and TriplePoint long-term debt facilities provide for a fixed rate of interest, and therefore are not subject to fluctuations in market interest rates.

Commodity Price Risk

We produce ethanol and distiller’s grains from corn and our business is sensitive to changes in the price of corn. The price of corn is subject to fluctuations due to unpredictable factors such as weather, corn planted and harvested acreage, changes in national and global supply and demand and government programs and policies. We use natural gas in the ethanol production process and, as a result, our business is also sensitive to changes in the price of natural gas. The price of natural gas is influenced by such weather factors as extreme heat or cold in the summer and winter, or other natural events like hurricanes in the spring, summer and fall. Other natural gas price factors include North American exploration and production, and the amount of natural gas in underground storage during both the injection and withdrawal seasons. Ethanol prices are sensitive to world crude oil supply and demand, crude oil refining capacity and utilization, government regulation and consumer demand for alternative fuels. Distiller’s grains prices are sensitive to various demand factors such as numbers of livestock on feed, prices for feed alternatives and supply factors, primarily production by ethanol plants and other sources. We attempt to reduce the market risk associated with fluctuations in the price of corn and natural gas by employing a variety of risk management and economic hedging strategies. Strategies include the use of forward purchase contracts and exchange-traded futures contracts.

Item 4. Controls and Procedures.

Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

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

As of the end of the period covered by this Report, we conducted an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2011.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the three months ended September 30, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On January 14, 2011, Butamax Advanced Biofuels LLC (“Butamax”), a joint venture between BP Biofuels North America LLC (“BP”) and E. I. DuPont de Nemours and Co. (“DuPont”), filed a complaint (the “Complaint”) in the United States District Court for the District of Delaware, as Case No. 1:11-cv-00054-UNA, 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 US Patent No. 7,993,889 (the “’889 Patent”), also entitled “Fermentive Production of Four Carbon Alcohols.” 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 USPTO. Our counterclaim seeks a declaratory judgment, injunctive relief, damages and costs, including attorney’s fees and expenses.

Except as described above, there have been no material developments in our legal proceedings since December 31, 2010.

Item 1A. Risk Factors.

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

Certain Risks Relating to our Business and Strategy

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 $14.5 million, $19.9 million and $40.1 million in 2008, 2009 and 2010, respectively. We incurred a net loss of $34.1 million for the nine months ended September 30, 2011. As of September 30, 2011, we had an accumulated deficit of $120.5 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 any revenues from the sale of isobutanol. Prior to September 2010, our revenues were primarily derived from government grants and cooperative agreements. Since the completion of the Agri-Energy acquisition in September 2010, we have generated revenue from the sale of ethanol and related products, and we expect to continue to generate revenue from the sale of all such products that are produced prior to the completion of the retrofit of 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, our revenues could be adversely affected. Furthermore, we expect to spend significant amounts on further development of our technology, acquiring or otherwise gaining access to ethanol plants and retrofitting them for isobutanol production, marketing and 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 the lawsuit with Butamax and our counterclaim, alleging patent infringement relating to the production of isobutanol, may become 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 this period, 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 planned retrofits of the ethanol production facilities in Luverne, Minnesota and Redfield, South Dakota 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 in Luverne, Minnesota and in June 2011, we acquired access to a second ethanol production facility in Redfield, South Dakota pursuant to our joint venture with Redfield. We intend to retrofit both facilities to produce isobutanol. While we have received additional debt and anticipate that additional funding for the retrofits may be available from TriplePoint, cost overruns or other unexpected difficulties could cause the retrofits to cost more than we anticipate, which could increase our need for such 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 initial commercial production of isobutanol. If additional funding is not available to us, or not available on terms acceptable to us, it could force us to use significantly more of our own funds than planned, limiting our ability to acquire access to or retrofit additional ethanol plants. Such a result could reduce the scope of our business plan and have an adverse effect on our results of operations.

There is no guarantee we will be able to maintain Agri-Energy's historical revenues and results from operations, and Agri-Energy's historical financial statements will not be a strong indicator of our future earnings potential.

While we remain a development stage company, Agri-Energy operates a commercial ethanol facility in Luverne, Minnesota, which generates revenues from sales of ethanol. There is no guarantee that we will be able to maintain Agri-Energy's historical levels of revenue or results from operations. We plan to retrofit the Agri-Energy facility to produce isobutanol, and our future profitability depends on our ability to produce and market isobutanol, not on continued production and sales of ethanol. Because the risks involved in our isobutanol production are different from those involved with operating an ethanol production facility, Agri-Energy's financial results prior to the completion of the planned retrofit to isobutanol production will not be a reliable indicator of our future earnings potential. Furthermore, our planned retrofit will require a significant amount of time. While we believe the facility will be able to continue ethanol production during most of the modification and retrofit process, there is no guarantee that this will be the case and we may need to significantly reduce or halt ethanol production during the modification and/or retrofit. In addition, the retrofit of the Agri-Energy facility will be subject to the risks inherent in the build-out of any manufacturing facility, and we may not be able to produce isobutanol at the volumes, rates and costs we expect following the retrofit. While we believe we will have the ability to reverse the retrofit and switch between ethanol and isobutanol production, the Agri-Energy facility may fail to perform as expected following completion of the retrofit. If we are unable to continue ethanol production during the modification and/or retrofit process or if we are unable to produce isobutanol at the volumes, rates and costs we expect and are unable to switch back to ethanol production, 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 not produced commercial quantities of isobutanol and we may not be successful in doing so. 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 commercial volumes of isobutanol. While we have produced isobutanol using our first- and second- generation biocatalysts at the demonstration facility, such production was not at full scale. 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 never sourced large quantities of feedstocks and we have no experience 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.

Neither we nor ICM have 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 is 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.

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, 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 acquired access to one 50 MGPY ethanol production facility pursuant to our joint venture with Redfield. We plan to acquire additional production capacity to enable us to produce and sell over 350 MGPY of isobutanol in 2015. We may not find development partners with whom we can implement this growth strategy, and we may not be able to identify facilities suitable for joint venture, acquisition or lease. 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 or lease, 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. Even if the owners of the 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 off-take and distribution agreement with Sasol Chemical Industries Limited ("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, if at all, may slow or stop our commercialization process and cause our business performance to suffer.

Once we acquire access to ethanol facilities, we may be unable to successfully retrofit them to produce isobutanol, and 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. These include such items as a modification to the air permit, fuel registration with the U.S. Environmental Protection Agency ("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. Neither we nor ICM has ever built, via retrofit or otherwise, a full-scale commercial isobutanol 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.

Though our initial retrofit design includes the capability to switch between isobutanol and ethanol production, we may be unable to successfully revert to ethanol production after we begin retrofit of an ethanol facility, or the facility may produce ethanol less

efficiently or in lower volumes than it did before the retrofit. 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 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 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. If we fail to meet specific product or volume specifications contained in a supply agreement, the customer may have the right to seek an alternate supply of isobutanol and/or terminate the agreement completely, and we could be required to pay shortfall fees or otherwise be subject to damages. A failure to successfully meet the specifications of our potential customers could decrease demand, and significantly hinder market adoption of our products.

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

We have very limited experience operating a commercial ethanol facility and no experience operating a commercial isobutanol facility. Accordingly, we may encounter significant difficulties operating at a commercial scale. We believe that our facilities will 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 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 isobutanol production, or failure to otherwise manage our growth, may have a material adverse effect on our business, financial condition and results of operations.

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

While we have succeeded, at the demonstration plant, in reaching our commercial fermentation performance targets for isobutanol concentration, fermentation productivity and isobutanol yield, we have not accomplished this in a commercial plant environment. We have successfully achieved our commercial performance targets using our second-generation biocatalyst at our mini-plant, but have not yet done so at the demonstration or commercial plant scale. We are currently optimizing our second-generation biocatalyst in anticipation of its integration into the commercial facility, but this process, if it succeeds at all, 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 exists at commercial-scale isobutanol production which could negatively impact our cost of production. If we encounter difficulties in scaling up 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 refiners and chemical producers.

A key component of our business strategy is to market our isobutanol to refiners and chemical producers. 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.

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 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 biobased 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.

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

We may 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.

Before any biofuel we produce receives a renewable identification number (“RIN”) we must register it with the EPA and receive approval that it meets specified regulatory requirements. Delay or failure in developing a fuel that meets the standards for advanced and cellulosic biofuels, or delays in receiving the desired RIN, will make our fuel less attractive to refiners, blenders, and other purchasers, which could harm our competitiveness.

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 program (“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.

We are in negotiations, facilitated by the Air Transport Association of America (“ATA”) with several major passenger and cargo airlines for potential commitments by several ATA member airlines to purchase jet fuel manufactured by third parties from our isobutanol. 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 our biojet fuel. Though our work testing isobutanol-based biojet fuel with the U.S. Air Force Research Laboratory has provided us with data we believe ASTM will consider, 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 LANXESS, Sasol, Toray Industries, Inc., United Air Lines, Inc. and TOTAL PETROCHEMICALS USA, Inc. However, as of September 30, 2011, we are not party to any final, definitive supply or distribution agreements for our isobutanol, other than our exclusive supply agreement with LANXESS, our off-take and distribution agreement with Sasol and our offtake and marketing alliance agreement with Mansfield Oil Company. We may be unable to negotiate final terms with other companies in a timely manner, or at all, and there is no guarantee that the terms of any final agreement will be the same or similar to those currently contemplated in our preliminary agreements. Final terms may include less favorable pricing structures or volume commitments, more expensive delivery or purity requirements, reduced contract durations and other adverse changes. Delays in negotiating final contracts could slow our initial isobutanol commercialization, and failure to agree to definitive terms for sales of sufficient volumes of isobutanol could prevent us from growing our business. To the extent that terms in our initial supply and distribution contracts may influence negotiations regarding future contracts, the failure to negotiate favorable final terms related to our current preliminary agreements could have an especially negative impact on our growth and profitability. Additionally, 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 dedicate additional 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 automotive 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 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 blendstock, forcing us to seek alternative purchasers.

Likewise, our plans for marketing our isobutanol are based upon our belief that it will be compatible with the pipes, tanks and other infrastructure currently used for transporting, storing and distributing gasoline. If our isobutanol or products incorporating our isobutanol cannot be transported with this equipment, we will be forced to seek alternative transportation arrangements, which will make our isobutanol and products produced from our isobutanol more expensive to transport and less appealing to potential

customers. Reduced compatibility with either refinery or transportation infrastructure may slow or prevent market adoption of our isobutanol, which could substantially harm our performance.

We may face substantial delay in receiving FDA approval to sell protein fermentation meal as an animal feedstock, which could substantially increase our net production costs.

Most of the ethanol plants we initially plan to retrofit use dry-milled corn as a feedstock. We plan to sell, as an animal feedstock, the protein fermentation meal 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. Before our protein fermentation meal can be used as an animal feedstock, the FDA must approve it as safe for livestock consumption. 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 protein fermentation meal, 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. 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 currently use the demonstration plant to improve our second-generation biocatalyst and 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 will provide EPC services for the retrofit of ethanol plants.

Because ICM has designed approximately 60% of the current operating ethanol production capacity 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 may 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, most of our resources have been dedicated to research and development, as well as demonstrating the effectiveness of our technology at the St. Joseph, Missouri plant. 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 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, 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, including our initial public offering in February 2011, and the issuance of convertible and nonconvertible debt. Based on our current plans and expectations, we will require additional funding to achieve our goal of producing and selling over 350 million gallons of isobutanol in 2015. 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. Currently, we are a party to a lawsuit with Butamax and DuPont alleging patent infringement relating to the production of isobutanol. 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.

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

- the timing of, and costs involved in developing 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 cost of operating and maintaining 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 protein fermentation meal 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;
- 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.

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 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 and licensing agreements with third parties, we may have to relinquish valuable rights to our technologies, or grant licenses on terms that are not favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate our development and commercialization efforts.

Our quarterly operating results may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of 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. 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. 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 we 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® 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 biobased 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 biobased alternatives.

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

We sell distiller's grains as a co-product from the production of ethanol at the Agri-Energy facility in Luverne, Minnesota and we also plan to sell the protein fermentation meal that will be produced as a co-product of our commercial isobutanol production. Distiller's grains and protein fermentation meal 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 protein fermentation meal. If the price of distiller's grains and protein fermentation meal decreases, our revenue from the sale of distiller's grains and protein fermentation meal 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, we will be vulnerable to fluctuations in the price of and cost to produce ethanol.

We believe that the ethanol production facilities we access, including the Agri-Energy facility in Luverne, Minnesota, will continue to produce ethanol during most of the retrofit process. We expect to obtain income from this ethanol production. 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.

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 concerning the petroleum industry. For example, in 2007, the U.S. Congress passed an alternative fuels mandate that currently calls for 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. 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. Market uncertainty regarding future policies may also affect our ability to develop new biofuels products or to license our technologies to third parties. Any inability to address these requirements and any regulatory or policy changes could have a material adverse effect on our biofuels business, financial condition and results of operations. Our other potential bioindustrial products may be subject to additional regulations.

Additionally, like the ethanol facilities we plan to retrofit, our isobutanol plants will emit greenhouse gasses. 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 protein fermentation meal 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 any 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. Acquisitions may also require us to record goodwill, non-amortizable intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges, incur amortization expenses related to certain intangible assets and incur large and immediate write-offs and restructuring and other related expenses, all of which could harm our operating results and financial condition. 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 any of our 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 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 completing the retrofits of the accessed facilities using our integrated fermentation technology;
- 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.

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 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 our loan and security agreements with TriplePoint, and we could be forced to pay the outstanding balance of the loan(s) in full. All of our employees are at-will employees, which means that either the employee or we may terminate their employment at any time.

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

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

Our success will depend in part on our ability to obtain patents and maintain adequate protection of our intellectual property covering our technologies and products and potential products in the U.S. and other countries. We have adopted a strategy of seeking patent protection in the U.S. and in certain foreign countries with respect to certain of the technologies used in or relating to our products and processes. As such, as of September 30, 2011, we exclusively licensed rights to 74 issued patents and filed patent applications in the U.S. and in various foreign jurisdictions, and we owned rights to approximately 222 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 two 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 potential passage of patent reform legislation 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) that competitors and other parties do not have or will not obtain patent protection that will block our development and commercialization activities.

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

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

Our commercial success also depends in part on not infringing patents and proprietary rights of third parties, and not breaching any licenses or other agreements that we have entered into with regard to our technologies, products and business. We cannot be certain that patents have not or will not issue to third parties that could block our ability to obtain patents or to operate our business as we would like or at all. There may be patents in some countries that, if valid, may block our ability to commercialize products in those countries if we are unsuccessful in circumventing or acquiring rights to these patents. There also may 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 proceedings declared by the U.S. Patent and Trademark Office 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, an interference may result in the loss of certain claims. Even successful interference outcomes 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 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 lawsuit 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 a lawsuit filed by Butamax in which it has alleged that we have infringed two patents for certain recombinant microbial host cells that produce isobutanol and methods for the production of isobutanol using such host cells.

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 potential 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 in the current patent infringement lawsuit filed by Butamax.

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 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.

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.

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.

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.

DuPont has announced plans to develop and market isobutanol through Butamax, a joint venture with BP. A number of companies including Cathay Industrial Biotech, Ltd., Green Biologics Ltd., METabolic Explorer, S.A., TetraVitae Bioscience, Inc. and Cobalt Technologies, Inc. are developing n-butanol production capability from a variety of renewable feedstocks. Academic and government institutions may also develop technologies which will compete with us in the chemicals and solvents and blendstock 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. Coskata, Inc. is developing a hybrid thermochemical-biocatalytic process to produce ethanol from a variety of feedstocks.

In the production of cellulosic biofuels, key competitors include Shell Oil, BP, DuPont-Danisco Cellulosic Ethanol LLC, Abengoa Bioenergy, S.A., POET, LLC, ICM, Mascoma, Range Fuels, 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.

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

Biofuels companies may also provide substantial competition in the hydrocarbon fuels market. With respect to production of renewable gasoline, biofuels competitors are numerous and include both large established companies and numerous startups. One competitor, Virent Energy Systems, Inc. ("Virent"), has developed a process for making gasoline and gasoline blendstocks. 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, 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.

We plan to enter into joint ventures 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 our loan and security agreements with Lighthouse and TriplePoint may restrict our ability to engage in certain transactions.

In December 2006, we entered into a loan and security agreement with Lighthouse and in August 2010, we entered into the Gevo Loan Agreement and the Original Agri-Energy Loan Agreement with TriplePoint, each of which has since been amended. Pursuant to the terms of these loan and security agreements, 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 Lighthouse and/or TriplePoint. If Lighthouse and/or TriplePoint do 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(s) in full. As of September 30, 2011, the aggregate outstanding principal and final payment under our loan from Lighthouse was approximately $1.7 million, and the aggregate outstanding principal and final payments under the loans from TriplePoint was approximately $18.9 million.

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 through Agri-Energy 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 cash 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 the other party to a hedging contract defaults on its obligation. 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 or ethanol. Losses from hedging activities and changes in hedging strategy could have a material adverse effect on our operations.

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

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

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

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

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

Compliance with stringent laws and regulations may be time consuming and costly, which could adversely affect the commercialization of our biofuels 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 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 been used as a commercial fuel and research regarding its impact on engines and distribution infrastructure is ongoing. Though we intend to test isobutanol further before 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.

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 through 2030. 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.

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 will require us to evaluate and report on our internal control over financial reporting beginning with our Annual Report on Form 10-K for the year ending December 31, 2011. The process of implementing our internal controls and complying with Section 404 will be expensive and time consuming, and will require 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 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. 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 Stock

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

Provisions in our amended and restated certificate of incorporation and our bylaws may delay or prevent an acquisition of us. Among other things, our amended and restated certificate of incorporation and bylaws provide for a board of directors which is divided into three classes, with staggered three-year terms and provide that all stockholder action must be effected at a duly called meeting of the stockholders and not by a consent in writing, and further provide that only our board of directors may call a special meeting of the stockholders. These provisions may also frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, who are responsible for appointing the members of our management team. Furthermore, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits, with some exceptions, stockholders owning in excess of 15% of our outstanding voting stock from merging or combining with us. Finally, our charter documents establish advance notice requirements for nominations for election to our board of directors and for proposing matters that can be acted upon at stockholder meetings. Although we believe these provisions together provide an opportunity to receive higher bids by requiring potential acquirers to negotiate with our board of directors, they would apply even if an offer to acquire our 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 officers, directors and existing stockholders who held at least 5% of our common and preferred stock as of September 30, 2011 together control approximately 69.6% of our outstanding common stock. As of September 30, 2011, Khosla Ventures I, L.P. and its affiliates ("Khosla Ventures"), Virgin Green Fund I, L.P. and its affiliates ("Virgin Green"), Total Energy Ventures International, LANXESS Corporation, Burrill Life Sciences Capital Fund III, L.P. ("Burrill"), and Malaysian Life Sciences Capital Fund Ltd. ("Malaysian Capital"), beneficially owned approximately 27.2%, 10.7%, 9.4%, 8.6%, 7.3% and 6.4% of our outstanding common stock, respectively. 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 our company otherwise favored by our other stockholders. This concentration of ownership could depress our stock price.

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

The market price of shares of our common stock could be subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, 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;
- the entry into, modification or termination of marketing arrangements;
- the entry into, modification or termination of 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;
- 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 RFS program, and the adoption 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.

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. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. 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.

A significant portion of our total outstanding shares of common stock is restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

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. Our three largest stockholders as of September 30, 2011 beneficially own, collectively, approximately 47.3% 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 September 30, 2011, there were 3,407,096 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. 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 6,751,194 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.

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. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

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

The terms of our loan and security agreement with Lighthouse currently prohibits us from paying cash dividends on our common stock and we do not anticipate paying cash dividends in the future. 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. Under the terms of the Amended Agri-Energy Loan Agreement, subject to certain limited exceptions, Agri-Energy is only permitted to pay dividends if the following conditions are satisfied: (i) the retrofit of the Agri-Energy facility is complete and the facility is producing commercial volumes of isobutanol, (ii) its net worth is greater than or equal to $10 million, and (iii) no event of default has occurred and is continuing under the agreement. 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.

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

Sales of Unregistered Securities

None.

Use of Proceeds from Public Offering of Common Stock

On February 14, 2011, we closed our initial public offering. The offer and sale of 8,222,500 shares of our common stock in the initial public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-168792), which was declared effective by the SEC on February 8, 2011. The principal underwriters of the initial public offering were UBS Securities LLC, Piper Jaffray & Co. and Citigroup Global Markets Inc. We raised approximately $110.4 million in net proceeds

after deducting underwriting discounts and commissions of $8.6 million and other offering costs of $4.3 million. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b). We have and intend to continue to invest these funds in demand deposit accounts or short-term investment-grade securities.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Removed and Reserved.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

Exhibit Number	Description	Previously Filed: Form	File No.	Filing Date	Exhibit	Filed Herewith
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	
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	
10.1	Gevo, Inc. Executive Health Management Plan.					X
10.2	International Off-Take and Distribution Agreement, by and between Gevo, Inc. and Sasol Chemical Industries Limited, dated July 29, 2011.					X
10.3	Amended and Restated Plain English Growth Capital Loan and Security Agreement, by and between Agri-Energy, LLC and TriplePoint Capital LLC, dated October 20, 2011.	8-K	001-35073	October 26, 2011	10.1	
10.4	First Amendment to Plain English Growth Capital Loan and Security Agreement, by and between Gevo, Inc. and TriplePoint Capital LLC, dated October 20, 2011.	8-K	001-35073	October 26, 2011	10.2	
10.5	Plain English Limited Recourse Continuing Guaranty, by Gevo Development, LLC in favor of TriplePoint Capital LLC dated as of October 20, 2011.	8-K	001-35073	October 26, 2011	10.3	
10.6	Amended and Restated Limited Recourse Membership Interest Pledge Agreement, by Gevo Development, LLC in favor of TriplePoint Capital LLC, dated as of October 20, 2011.	8-K	001-35073	October 26, 2011	10.4	

Exhibit Number	Description	Form	Previously Filed File No.	Previously Filed Filing Date	Exhibit	Filed Herewith
10.7	First Amendment to Plain English Security Agreement, by and between Gevo, Inc. and TriplePoint Capital LLC, dated October 20, 2011.	8-K	001-35073	October 26, 2011	10.5	
10.8	First Amendment to Plain English Security Agreement, by and between Agri-Energy, LLC and TriplePoint Capital LLC, dated October 20, 2011.	8-K	001-35073	October 26, 2011	10.6	
31.1	Section 302 Certification of the Principal Executive Officer.					X
31.2	Section 302 Certification of the Principal Financial Officer.					X
32.1	Section 906 Certification of the Principal Executive Officer and Principal Financial Officer.					X
101#	Financial statements from the Quarterly Report on Form 10-Q of Gevo, Inc. for the quarterly period ended September 30, 2011, formatted in XBRL: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Notes to the Condensed 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.

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: November 2, 2011

Exhibit 10.1

GEVO, INC.
EXECUTIVE HEALTH MANAGEMENT PLAN
PLAN DOCUMENT AND SUMMARY PLAN DESCRIPTION

I. **Purpose**. The purpose of this Gevo Executive Health Management Plan ("Plan") is to reimburse eligible executives of Gevo, Inc. (the "Company") for the costs of certain medical diagnostic procedures, including routine medical examinations (i.e., physicals), blood tests and X-rays, or to arrange to have such procedures made available to such eligible executives.

II. **Effective Date**. The effective date of this Plan is September 1, 2011 (the "Effective Date").

III. **Eligibility**.

A. Eligibility. Each Section 16 Officer of the Company and any other executive officer as designated by the Compensation Committee of the Company's Board of Directors (the "Committee") shall be a Plan participant ("Participant") as of the later of: (a) the date he or she becomes a Section 16 Officer of the Company, (b) in the case of any other executive, the date he or she is designated a Participant by the Committee, or (c) the Effective Date. Participants are limited to "a select group of management or highly compensated employees" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If a Participant ceases to be a Section 16 Officer or other eligible executive officer, or a member of a select group of management or highly compensated employees, his or her participation in the Plan shall cease unless otherwise provided by the Committee, subject to any right of continuation of coverage described in Section V.

B. Section 16 Officers. For purposes of this Plan, Section 16 Officers include all Section 16 Officers designated by the Company's Board of Directors.

IV. **Benefits**.

A. Medical Benefits. A Participant will be eligible to receive annual medical diagnostic procedures at the Mayo Clinic Executive Health Program, the Scripps Executive Health Program, the Cleveland Clinic Executive Health Program, the Duke Executive Health Program, the Cooper Clinic Executive Health Program, the UCLA Executive Health Program or other such facilities as determined by the Committee, which procedures must be performed at a facility that provides no services (directly or indirectly) other than medical, and ancillary, services. For purposes of the preceding sentence, physical proximity between a medical facility and nonmedical facilities will not for that reason alone cause the medical facility not to qualify. Such procedures may include routine medical examinations, blood tests, X-rays and other diagnostic procedures. Such procedures will not include expenses incurred or services for (i) the treatment, cure or testing of a known illness or disability, (ii) the treatment or testing for a physical injury, complaint or specific symptom of a bodily malfunction or (iii) any activity undertaken for exercise, fitness, nutrition, recreation or general improvement of health. The Company shall bear the cost of services described in this Section IV.A.[1]

B. Travel Expenses. To the extent medical diagnostic procedures approved or made available under the Plan are provided at facilities that would result in a Participant incurring travel to obtain such benefits, all such expenses (including but not limited to airfare, meals and lodging) shall be borne by the Company, but only to the extent such expenses are ordinary and necessary as determined under United States Treasury Regulation Section 1.105-11(g).

V. Continuation of Coverage. To the extent required by law (including Section 4980B of the Internal Revenue Code of 1986, as amended), coverage under the Plan may continue so long as such payments are made, but not beyond the end of the period for which such coverage is required by law. COBRA continuation rights are described in Appendix C. In addition, a former Participant shall be treated as a Participant under the Plan to such extent as is required by law, and shall be entitled to any benefits otherwise made available to Participants during such period of continued coverage, as described in Section IV.A.

VI. Source of Funds. The Company shall contribute the amount required to pay benefits under this Plan out of its general assets at the time such benefits are to be paid. There shall be no special fund out of which benefits shall be paid.

VII. Plan Administrator. The Company shall be the Plan Administrator and the named fiduciary and shall have the discretionary authority to construe and interpret the provisions of the Plan, decide all questions of eligibility and participation and control and manage the operation and administration of the Plan. Any such construction, interpretation or decision shall be final and binding and shall be given the maximum deference permitted by applicable law. No member of the Committee shall make any decision or take any action covering exclusively his or her own benefits under the Plan. The Plan Administrator may delegate its authority under the Plan to one or more persons or entities, which shall have the same authority and discretion, and whose determinations shall be given the same deference, as described above.

VIII. Claims. Any claim for benefits shall be processed in accordance with the claims procedure set forth in Appendix A, as amended from time to time. A Participant may request a copy of the Plan's claims procedure at any time; in such event, Appendix A will be furnished automatically, without charge.

IX. Privacy Rights. A statement about Protected Health Information and Privacy Rights is attached as Appendix D.

X. ERISA Rights. A statement of Participant rights under ERISA is contained in Appendix B.

XI. Disclosures. The Patient Protection and Affordable Care Act requires certain health plans to provide uniform coverage/benefit summaries using a government-prescribed form. That form has not yet been issued. When it is issued, this section will include the required summary to the extent applicable.

XII. Amendment and Termination and Drafting Errors. The Plan and its Appendices may, at any time, be amended or terminated by the Committee or the Company's Board of Directors by a written instrument executed by an authorized executive officer or by its own action. If, due to errors in drafting, any Plan provision does not accurately reflect its intended meaning, as demonstrated by consistent interpretations or other evidence of intent, or as determined by the

Company in its sole and exclusive judgment, the provision shall be considered ambiguous and shall be interpreted by all Plan fiduciaries in a fashion consistent with its intent, as determined by the Company in its sole discretion. The Company shall amend the Plan retroactively to cure any such ambiguity. This section may not be invoked by any person to require the Plan to be interpreted in a manner that is inconsistent with its interpretation by Plan fiduciaries.

XIII. **Taxation of Benefits**. The intent of this Plan is to provide, pursuant to United States Treasury Regulation Section 1.105-11(g), medical benefits or reimbursements for medical benefits described in Section IV.A to the extent they are excludable from a Participant's income for U.S. federal income tax purposes. Notwithstanding any of the foregoing, all applicable tax laws and regulations will be applied with respect to a Participant's participation in the Plan.

XIV. **Governing State Law**. This Plan shall be construed and enforced according to the laws of the State of Colorado, to the extent not preempted by federal law.

XV. **Information about the Plan**.

Name of Plan: Gevo Executive Health Management Plan

Sponsoring Employer: Gevo, Inc.

Plan Administrator (and the Plan's only named fiduciary): Gevo, Inc.

Plan Administrator's Telephone Number: (303) 858-8358

Plan Administrator's Employer Identification Number (EIN): 87-0747704

Plan Number: 1

Plan Year: January 1 through December 31 of each calendar year; the first Plan Year is a short Plan Year commencing on April 1, 2011 and ending on December 31, 2011.

The financial records of the Plan are kept on a Plan Year basis. The Plan Year ends on each December 31.

Agent for Service of Process: Service may be made on the Administrator at the address listed above.

Type of Plan: This Plan is a self-insured welfare plan intended to qualify as a plan for the reimbursement of medical diagnostic procedures pursuant to United States Treasury Regulation Section 1.105-11(g).

Type of Administration: The Administrator pays applicable benefits from the Company's general assets.

Funding: The Plan is paid for by the Company out of the Company's general assets. There is no trust or other fund from which benefits are paid.

APPENDIX A
CLAIMS PROCEDURE

In the event of an adverse benefit determination (i.e., your claim for benefits is denied, in whole or in part, or you experience a rescission in coverage), then you have the right to be notified of the denial and to appeal the denial, both within certain time limits. The rules regarding denied claims for benefits under the Plan are discussed below, in question and answer format. No action may be brought against the Plan, the Company, the Administrator, or any other entity to whom administrative or claims processing functions have been delegated ("Claims Administrator") until you first follow the claim procedure below and either receive a final determination from the Claims Administrator or the Claims Administrator fails to timely respond to your claim as is provided below.

1. When must I receive a decision on my claim?

You are entitled to notification of the decision on your claim within 30 days after the Claims Administrator's receipt of the claim. This 30-day period may be extended by an additional period of up to 15 days if the extension is necessary due to conditions beyond the Plan's control. The Claims Administrator is required to provide you with a written extension notice, notifying you of the special circumstances requiring the extension prior the expiration of the initial 30-day period and informing you of the date by which the Claims Administrator expects to render the benefit determination. If the extension is necessary because of your failure to submit the information necessary to decide the claim, then the Claims Administrator will notify you regarding what additional information you are required to submit, and you will be given at least 45 days after such notice to submit the additional information. If you do not submit the additional information, the Claims Administrator will make the decision based on the information that it has.

2. What information will a notice of an adverse benefit determination contain?

If your claim is denied, in whole or in part, you will receive a notice of an adverse benefit determination from the Claims Administrator, which will include the following information:

- Sufficient information to identify the claim involved, including, as applicable, the date of service, health care provider, claim amount, diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason for the adverse benefit determination;
- A reference to the specific Plan provision(s) on which the adverse benefit determination is based;
- If applicable, the denial code and its corresponding meaning, as well as a description of the Plan's standard, if any, used in making the adverse benefit determination;
- If an internal rule, guideline, protocol, or other similar criterion was relied upon in making the adverse determination, either the specific rule, guideline, protocol, or other similar criterion; or a statement that such a rule, guideline, protocol, or other

similar criterion was relied upon in making the adverse determination and that a copy of such rule, guideline, protocol, or other criterion will be provided free of charge to you on request;

- If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the plan to your medical circumstances, or a statement that such explanation will be provided free of charge on request;
- A description of the Plan's internal review procedures, external review processes, the time limits applicable to such procedures and processes, and information on how to initiate an appeal;
- A description of any additional material or information necessary for you to perfect your claim and an explanation of why such material or information is necessary;
- A statement of your right to bring a civil action under ERISA § 502(a) following a denial on review; and
- Information on how to contact a health insurance consumer assistance office or ombudsman under the Public Health Services Act to assist individuals with the claims process (to the extent such requirement applies to the Plan).

3. Do I have the right to appeal an adverse benefit determination?

Yes, you have the right to appeal the Claims Administrator's adverse benefit determination.

4. What are the requirements of my appeal?

Your appeal must be in writing, must be provided to the Claims Administrator, and must include the following information:

- Your name and address;
- The fact that you are disputing an adverse benefit determination or the Claims Administrator's act or omission;
- The date of the notice that the Claims Administrator informed you of the adverse benefit determination; and
- The reason(s), in clear and concise terms, for disputing the adverse benefit determination or the Claims Administrator's act or omission.

You should also include any relevant documentation that you have not already provided to the Claims Administrator.

5. Is there a deadline for filing my appeal?

Yes. Your appeal must be delivered to the Claims Administrator within 180 days after receiving the adverse benefit determination notice or the Claims Administrator's act or omission**. *If you do not file your appeal within this 180-day period, you lose your right to appeal*.** Your appeal will be decided by the Compensation Committee of the Company's Board of Directors ("Compensation Committee").

6. How will my appeal be reviewed?

Anytime before the appeal deadline, you may submit copies of all relevant documents, records, written comments, and other information to the Compensation Committee. The Plan is required to provide you with reasonable access to and copies of all documents, records, and other information related to the claim. When reviewing your appeal, the Compensation Committee will take into account all relevant documents, records, comments, and other information that you have provided with regard to the claim, regardless of whether or not such information was submitted or considered in the initial determination.

The appeal determination will be a full and fair review of the initial determination and will not afford deference to the initial determination. The appeal determination will be made by an appropriate individual who is neither the individual who made the original determination nor an individual who is a subordinate of the individual who made the initial determination. In making any appeal determination based in whole or in part on a medical judgment, including determinations with regard to whether a particular treatment, drug, or other item is experimental, investigational, or not medically necessary or appropriate, the Compensation Committee shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment, and who is not the individual who made the initial determination nor a subordinate of the individual who made the initial determination.

If applicable, the Plan is required to identify medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a an adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

7. When will I be notified of the decision on my appeal?

The Compensation Committee must notify you of the decision on your appeal within 60 days after receipt of your request for review.

8. What information is included in the notice of the denial of my appeal?

If your appeal is denied, the notice that you receive from the Compensation Committee will include the following information:

- Sufficient information to identify the claim involved, including the date of service, health care provider, claim amount (if applicable), diagnosis code and its corresponding meaning, and the treatment code and its corresponding meaning;
- The specific reason for the adverse benefit determination;

- If applicable, the denial code and its corresponding meaning, as well as a description of the Plan's standard, if any, used in making the adverse benefit determination;
- A discussion of the decision, including the rationale for the decision;
- A reference to the specific Plan provision(s) on which the adverse benefit determination is based;
- If an internal rule, guideline, protocol, or similar criterion was relied upon in making the review determination, either the specific rule, guideline, or protocol, or a statement that such a rule, guideline, protocol, or similar criterion was relied upon in making the review determination and that a copy of such rule, guideline, protocol, or similar criterion will be provided to you free of charge upon request;
- If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the plan to your medical circumstances, or a statement that such explanation will be provided free of charge upon request;
- A statement providing that you are required to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to your claim for benefits;
- A description of the Plan's remaining internal review procedures (if any), external review processes, the time limits applicable to such procedures and processes, and information on how to initiate an appeal or external review process;
- Information on how to contact a health insurance consumer assistance office or ombudsman under the Public Health Services Act to assist individuals with the claims process (to the extent such requirement applies to the Plan);
- A statement of your right to bring a civil action under ERISA § 502(a); and
- The following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

9. What other information must the Plan provide to me during the appeal process?

The Plan is required to automatically provide to you, free of charge, any new or additional evidence considered, relied on or generated by the Plan in connection with your claim. This evidence must be provided as soon as possible and sufficiently in advance of the date the Plan must provide notice of its decision on the appeal.

10. What do I do if I receive an adverse benefit determination on appeal and am not satisfied with the result?

The Departments of Health and Human Services, Labor and Treasury (the "***Departments***") are in the process of establishing a Federal external review process. You may be able to have the Plan's decision reviewed using this process. Once the Departments have established the external review process, you will be provided with additional information if it applies to this Plan.

Notwithstanding anything to the contrary contained herein, this Claims Procedure hereby incorporates by reference all applicable legal requirements including, but not limited to, those set forth under ERISA and the Patient Protection and Affordable Care Act of 2010, as amended, as of the date each such requirement first is required to apply to this Plan.

APPENDIX B
STATEMENT OF YOUR ERISA RIGHTS

As a participant in the Gevo Executive Health Management Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series), if any, filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and copies of the latest annual report (Form 5500 Series), if any, and summaries of material modifications, if any, and an updated summary plan description. The Plan Administrator may charge a reasonable amount for the copies.

Continue Group Health Plan Coverage

Continue health care coverage for yourself if there is a loss of coverage under the Plan as a result of a qualifying event. You may have to pay for such coverage. Review this summary plan description and the documents governing the Plan on the rules governing your COBRA continuation coverage rights, attached as Appendix C.

Reduction or elimination of exclusionary periods of coverage for preexisting conditions under your group health plan, if you have creditable coverage from another plan.

You may be entitled to a certificate of creditable coverage, free of charge, from the Plan when you lose coverage under the Plan, when you become entitled to elect COBRA continuation coverage, when your COBRA continuation coverage ceases, if you request it before losing coverage, or if you request it up to 24 months after losing coverage. Without evidence of creditable coverage, you may be subject to preexisting condition exclusion for 12 months (18 months for late enrollees) after your enrollment date in your coverage.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

APPENDIX C
CONTINUATION OF COVERAGE

A. COBRA CONTINUATION

A Participant may continue his or her Plan coverage it if otherwise would terminate for the reasons specified in Sections 1-2 below. This coverage is called "COBRA coverage" because it generally is required by a federal law known as "COBRA." A Participant will be required to pay 102% of the full cost to the Plan of COBRA coverage, as determined by the Company, or, as to a disabled individual whose coverage is being continued for 29 months in accordance with Section 1, 150% of the full cost to the Plan of COBRA coverage, as determined by the Company, for any month after the 18th month.

However, for up to three months, you only will be charged for your COBRA coverage, i.e., what you would have had to pay had you remained actively at work, if Company personnel records show that (a) you have worked for the Company for at least a year in your most recent period of Company-employment (not counting leave time), you completed at least 1,250 hours of work in the year preceding your absence, and you are on an approved leave of absence because of your own illness or disability, or (b) you are on an approved leave of absence because of a pregnancy-related disability or to be the primary care giver to a newborn or newly adopted child. If you subsequently have another such leave, three months of this lower cost COBRA coverage again will be available to you, reduced by any months you used during an earlier leave that ended within a year before the later leave commenced. Up to three months of lower cost COBRA coverage also will be available to you while you are on a leave of absence with respect to which applicable law, if any, mandates that such coverage be made available. In addition, subject to applicable legal mandates, the Company in its discretion may provide less generous or more generous lower cost COBRA coverage continuation rights during a leave of absence or thereafter.

Continuation will be available as follows:

1. Continuation of Coverage Following Termination of Employment or Loss of Eligibility

If your coverage would terminate due to:

- termination of your employment for any reason other than gross misconduct, as determined by the Company; or
- your loss of eligibility under this Plan due to a reduction in the number of hours you work (for example, following the expiration of an FMLA leave if you do not return to work),

you may elect to continue coverage for yourself. This election must include an agreement to pay any required contribution. You must elect to continue coverage within 60 days after your coverage would terminate or, if later, within 60 days after the Company or a Plan representative informs you of your rights under this section.

Coverage will terminate on the earliest to occur of:

- The end of an 18-month period after the date of the event that would have caused coverage to terminate (or, if the Company elects, the date non-COBRA coverage terminated);
- The end of a 29-month period after the date of the event that would have caused coverage to terminate, but only if prior to the end of the above 18-month period, you notify the Company, in accordance with Section A.4 below, that you have been determined to have been disabled under Title II or XVI of the Social Security Act on the date of, or within 60 days after, the event that would have caused coverage to terminate. Coverage may be continued for you;
- The date this Plan discontinues its medical coverage. However, continued coverage may be available to you under another plan sponsored by the Company;
- The date any required contributions are not made;
- The first day after the date of the election pursuant to which you become covered under another group health plan. However, continued coverage will not terminate until you are no longer affected by a preexisting condition exclusion or limitation under the other group health plan;
- The first day after the date of the election pursuant to which you become enrolled in benefits under Medicare. This will not apply if contrary to the provisions of the Medicare secondary payor rules or other federal law;
- As to you, if your coverage is being continued beyond 18 months in accordance with the terms of the second bulleted item above, the first day of the month that begins more than 30 days after the date of the final determination under Title II or XVI of the Social Security Act that you are no longer disabled; but in no event will coverage terminate prior to the end of the 18-month period described in the first bulleted item above; and
- The date coverage would otherwise end under any other provision of the Plan.

2. Continuation of Coverage Following a Retiree's Loss of Coverage

The Company is required to notify a retired Participant if it commences a bankruptcy proceeding under Title 11, United States Code. If your coverage as a retired Employee would terminate or be substantially eliminated due to this proceeding (or within the 12-month period prior to or following the proceeding), you may be eligible to elect to continue coverage for yourself. If you are determined to be eligible, you must elect to continue coverage within 60 days after the bankruptcy proceedings begin or, if later, within 60 days after the Company or a Plan representative informs you of your rights under this section. The election must include an agreement to pay any required contribution.

Coverage under this section will terminate on the first to occur of:

- The date that this Plan discontinues its medical coverage. However, continued coverage may be available to you under another plan sponsored by the Company;
- The date any required contributions are not made; and

- The first day after the date of the election pursuant to which you become covered under another group health plan. However, continued coverage will not terminate until you are no longer affected by a preexisting condition exclusion or limitation under such other group health plan.

3. Multiple Qualifying Events

If coverage for you is being continued in accordance with the terms of Sections 1-2, certain situations described in United States Treasury Regulation Section 54.4980B-7 may extend the continuation period up to 36 months.

4. Notice Requirements

If coverage for you or your Dependents:

- is being continued for 18 months in accordance with Section III.A.1., and
- it is determined under Title II or XVI of the Social Security Act that you were disabled on the date of, or within 60 days after, the event in Section A.1 that would have caused coverage to terminate, you must notify the Company of such determination within 60 days after the date of the determination, and within 30 days after the date of any final determination that you are no longer disabled.

5. Home Address Information

In order to protect your rights, you should keep the Plan Administrator informed of any changes in your address. Keep a copy of any notice you send the Plan Administrator.

6. Trade Act of 2002

In the unlikely event that you qualify for trade adjustment assistance, you may qualify for special COBRA rights. If so, the Plan will afford you those rights.

7. For More Information

For more information about your COBRA rights, contact the Company’s Human Resources Department at 303-858-8358.

B. CONTINUATION OF COVERAGE DURING FMLA LEAVES OR USERRA-COVERED ABSENCES

1. FMLA Leaves

If the Company grants you a Family and Medical Leave Act of 1993 (FMLA) leave, your Plan coverage will not lapse during the leave unless you elect to cancel coverage by written notice to the Plan before your leave commences, or if that is impossible, as soon as possible after your leave commences.

2. USERRA-Covered Absences

USERRA provides for the continuation of health benefit coverage for persons who are absent from work to serve in the uniformed services. Notwithstanding anything to the contrary in the Plan, if you are absent from work on a USERRA-covered absence, you will remain eligible for active employee coverage through the end of the calendar month in which you have been absent for 30 days. Thereafter, your active employee coverage will cease, but you may continue that coverage for yourself through the end of the month in which your USERRA-covered absence ends or, if earlier for 24 calendar months. Rules akin to the Plan's COBRA rules will apply, including its premium payment requirements, except as otherwise provided by USERRA or applicable USERRA regulations. If you are reinstated by the Company at the end of your USERRA absence, you may re-enroll in the Plan without having to satisfy any waiting period or preexisting condition exclusion requirements, other than ones would have applied even if you had not been absent for uniformed service. This rule does not apply to the coverage of any illness or injury determined by the Secretary of Veterans' Affairs to have been incurred in, or aggravated during, performance of service in the uniformed service. *See* 20 CFR Part 1002.168.

APPENDIX D
PROTECTED HEALTH INFORMATION AND PRIVACY RIGHTS

1. Permitted Plan Disclosures of Protected Health Information

A federal regulation (Privacy Rule) issued under HIPAA prohibits the Plan from using or disclosing your Protected Health Information (PHI) except as permitted by the Privacy Rule. (45 C.F.R. part 160 and part 164, subparts A and E, effective April 14, 2003). The Plan has adopted detailed policies and procedures to comply with the Privacy Rule and has distributed to Plan participants a Notice of Privacy Practices (Privacy Notice) that describes these policies and procedures. A copy of the Privacy Notice is available from the Company's Human Resources Department

As required by the Privacy Rule, this section specifies the manner in which the Plan may disclose PHI to the Company in accordance with the Privacy Rule. It does not specify the manner which the Plan itself (and others who administer aspects of the Plan on the Company's behalf) may use and disclose PHI. The Privacy Notice and the Plan's underlying privacy policies and procedures specify those permissible uses and disclosures.

PHI is information that is created or received by the Plan, that identifies an individual or could reasonably be expected to identify that individual, and that relates to the individual's past, present, or future physical or mental health or condition, the provision of health care to the individual, or the past, present, or future payment for health care to the individual.

The Plan may disclose PHI to Company representatives responsible for Plan administration solely:

- to perform Plan administrative functions;
- to determine whether an individual is a Participant;
- to obtain premium bids from insurance companies or other health plans for purposes of providing insurance coverage under or in lieu of the Plan; and
- to modify, amend, or terminate the Plan.

To the extent practicable, PHI disclosed for the last two purposes will be limited to "summary health information" within the meaning of the Privacy Rule. The Company and Company employees responsible for Plan administration may not use PHI they receive from the Plan in taking or making employment-related actions or decisions, or in connection with the Company's non-group health plan benefits or any other benefit plans.

2. Conditions of Disclosure

With respect to any PHI that the Plan discloses to authorized Company personnel for Plan administrative functions, the Company agrees to:

- not use or further disclose PHI other than as permitted by the Plan or as required by law;

- ensure that any agents or subcontractors to whom it provides PHI agree to the analogous restrictions and conditions that apply to the Company;
- not use or disclose PHI for employment-related actions or in connection with any of the Company's non-group health benefits or benefit plans;
- report to the Plan any use or disclosure of PHI that is inconsistent with the uses and disclosures that are permitted under the Plan;
- make available to an individual any PHI about the individual that the Company receives from the Plan and still possesses, consider the individual's request to amend such PHI, and provide to a requesting individual an accounting of the Company's disclosures of his or her PHI;
- make its internal practices and procedures relating to the use and disclosure of PHI available to the Department of Health and Human Services on request;
- if feasible, return or destroy all PHI or PHI copies when no longer needed for the purposes for which the disclosure was made, except that, if return or destruction is not feasible, the Company will limit further uses to those purposes that make the return or destruction of the information infeasible; and
- ensure that the adequate separation between the Plan and the Company required by the Privacy Rule is satisfied and that the separation terms set forth below are followed and supported by reasonable and appropriate security measures.

With respect to any PHI in electronic media that authorized Company personnel create, receive, maintain, or transmit on behalf of the Plan to perform Plan administrative functions, the Company agrees to:

- Implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic PHI;
- Ensure that any agents or subcontractors to whom it provides electronic PHI agree to implement reasonable and appropriate security measures to protect the information; and
- Report to the Plan any security incident of which it becomes aware.

3. Certification

As required by federal law, the Company hereby certifies to the Plan that the Plan incorporates the requirements of 45 C.F.R. § 504(f)(2)(ii) and that the Company agrees to the conditions of the disclosure set forth in this Appendix.

4. Individuals Who May Receive PHI

The Plan may disclose PHI to the following classes of individuals and entities:

- members of the Plan's Privacy Committee;

- the Executive to whom the Company's Compensation Committee has delegated responsibility for Plan administration;
- human resources personnel with oversight responsibilities for the Plan, the Company's General Counsel, and other members of the Company's management who may be designated from time to time by the Plan's Privacy Committee; or
- the Claims Administrator to the extent necessary to determine claims.

5. Other Privacy Provisions

The Company and all other Plan fiduciaries shall comply with, and secure compliance with, all federal health information privacy laws (and similar state and local laws to the extent not preempted by federal law) in any way relating to or arising out of Plan operation (such as with respect to medical information) and any other privacy rules or procedures set forth in the Plan or in privacy practice notices issued as to the Plan (Plan-Related Privacy Rights).

As a condition of participation in this Plan, you agree that you will first seek recourse for any actual or purported violation of Plan-Related Privacy Rights solely through the Plan's claims procedures. If any of you exhaust your administrative remedies under this claim procedure, but fail to secure what you believe to be adequate recourse through that procedure, then you may pursue other remedies that are available to you under the law.

You agree that if you do not exhaust your administrative remedies under the Plan's claims procedure, you shall be precluded from taking any further action to enforce your Plan-Related Privacy Rights. Nothing in this provision shall be deemed to prohibit you from complaining to any governmental agency about any actual or purported violation of rights or cooperating in any governmental investigation.

This Appendix establishes legally enforceable rights only to the extent required by the Privacy Rule.

Exhibit 10.2

INTERNATIONAL OFF-TAKE AND DISTRIBUTION AGREEMENT

BETWEEN

GEVO, INC

and

SASOL CHEMICAL INDUSTRIES LIMITED,
ACTING THROUGH ITS SASOL SOLVENTS DIVISION

INTERNATIONAL OFF-TAKE AND DISTRIBUTION AGREEMENT

This International Off-take and Distribution Agreement (this “**Agreement**”) is made and entered into as of this 29th day of July 2011 (the “**Effective Date**”), by and between Gevo, Inc., a Delaware corporation having its principal address at 345 Inverness Drive South, Building C, Suite 310, Englewood, Colorado 80112 (“**Manufacturer**” or “**Gevo**”), and Sasol Chemical Industries Limited, acting through its Sasol Solvents Division, a South African company having its principal address at 1 Sturdee Avenue, Rosebank, 2196 Republic of South Africa (**“Distributor” or “Sasol**”) (each individually referred to as a “**Party**” and collectively, the “**Parties**”).

R E C O R D A L

(a) Gevo is a public company founded in 2005 and whose business is the developing, manufacturing and selling of bio-based isobutanol. Gevo intends to market bio-based isobutanol into global markets, including the Territory and in this regard it currently has no existing customer base, no supply chain or related sales infrastructure to service customers in the Territory;

(b) Gevo has successfully piloted its technology and is in the process of retrofitting its first commercial plant for bio-based isobutanol in Luverne, Minnesota. This plant is expected to start up during 2012;

(c) Sasol is a manufacturer of chemicals and as such possesses technical experience, a marketing organisation with market access through a comprehensive supply chain infrastructure as well as a global customer base in various markets. Sasol is thus well positioned to distribute and sell bio–based isobutanol in the global isobutanol, n-butanol and other related Solvents and Chemical Intermediate markets;

(d) The Parties concluded a non-binding Letter of Intent dated 3 November 2010, pursuant to which the Parties had negotiations with the intention to conclude this Agreement;

(e) The Parties met again during January 2011 for purposes of exploring various options regarding potential marketing relationships as between the Parties with the outcome of these discussions being that both Parties favoured a distributor based relationship with a corn based pricing mechanism;

(f) Taking all of the above into account, and subject to the terms and conditions set out herein below, Gevo desires to appoint Sasol as a distributor for the Product as a Solvent or as a Chemical Intermediate and Sasol desires to be appointed as such and, for this purpose, Gevo will sell Product to Sasol and Sasol will purchase Product from Gevo in order for Sasol to establish, promote, sell and distribute the Product as a Solvent or as a Chemical Intermediate as is more fully set out herein below; and

(g) This Agreement replaces all other previous agreements, statements, term- sheets, letters of intent, e-mails and other correspondences and communications, or any other document whether written or oral and whether signed or unsigned between the Parties.

NOW, THEREFORE, the Parties do hereby agree as follows:

1. DEFINITIONS

1.1 For the purposes of this Agreement, the following words/expressions shall have the meaning(s) respectively set out opposite them:

"**Agreement**" means this agreement together with annexures hereto;

“Chemical Intermediate” means the Product used for purposes of producing another chemical substance specifically excluding the uses described in **Annexure “E”**;

“**Commencement Date**” means the date of signature hereof;

“**Control**” means the ability to direct the affairs of another whether by virtue of the ownership of shares, contract or otherwise;

“**Incoterms 2010**” means the International Chamber of Commerce official rules for the interpretation of Trade Terms which came into force January 1, 2010 and which terms govern this Agreement concluded between the Parties;

“**MSDS**” means Material Safety Data Sheet relating to the Product and annexed hereto as **Annexure “A”**;

“**Product**” means chemical grade bio-based isobutanol, which is in accordance with the specification as set out in **Annexure “C”**;

“**Solvent**” means the Product used alone or in combination with other chemical substances for dissolving another substance to form a chemical solution. Typical examples of such applications would be the use of Product in the formulation of inks, paints, coatings and cleaners; and

“**Territory**” means the entire world excluding North America, South America and all possessions, protectorates and territories of the nations located within North America and South America.

1.2 References to sections and schedules are to the sections in and schedules to this Agreement.

1.3 Headings are for convenience only and shall be ignored in interpreting this Agreement.

2. RECORDAL AN INTEGRAL PART OF THE AGREEMENT

The Recordal and all the provisions contained thereunder form an integral part of this Agreement and due regard shall be had to the said provisions in the interpretation and understanding of this Agreement and in the interpretation and understanding of the intention of the Parties.

3. SUSPENSIVE CONDITIONS

3.1 The operation and effectiveness of this entire Agreement is subject to the fulfillment of the following conditions, namely:

(a) that each Party has obtained the relevant approvals from their respective internal authorities;

(b) that all external approvals as may be required by the relevant authorities, e.g. relevant anti-trust law authorities, have been obtained;

(c) that, if deemed necessary by either Party, confirmation by relevant external expert legal counsel is obtained that the agreement complies with the law. The Party deeming such confirmation necessary shall be responsible for all costs incurred by such external legal counsel.

3.2 Each Party shall endeavor to fulfill the abovementioned conditions as soon as reasonably practicable, but in no event later than August 31, 2011 or on such other date as agreed to in writing by the Parties.

3.3 The Parties may agree in writing to waive any of the conditions set out in Section 3.1 above.

3.4 By signing this Agreement each Party confirms, amongst others, that all conditions in terms of 3.1 have been met and consequently, this Agreement becomes of full force and effect upon signature thereof by both Parties.

4. APPOINTMENT AND ACCEPTANCE AS DISTRIBUTOR

4.1 **Exclusive Distributor within the Territory for Products Used and Sold as Solvents or Chemical Intermediates: Geographic-market restriction**

(a) The Manufacturer hereby appoints the Distributor as its exclusive distributor of the Product for use and sale solely as a Solvent or Chemical Intermediate within the Territory and the Distributor hereby accepts and agrees to such appointment to establish, promote, sell and distribute the Product for use and sale as a Solvent or Chemical Intermediate in the Territory, subject to the terms and conditions set forth herein.

(b) The Manufacturer shall refrain from utilizing any other distributor or other sales representative of the Product within the Territory when such Product is to be used or sold as a Solvent or Chemical Intermediate, and the Manufacturer shall refrain from actively selling Product to customers within the Territory when such Product is to be used or sold as a Solvent or Chemical Intermediate, subject to the terms and conditions set forth herein.

(c) The Manufacturer will refer exclusively to the Distributor all orders of Product received by the Manufacturer from any customers within the Territory, provided that such customers are to use the Product solely as a Solvent or Chemical Intermediate.

(d) The exclusivity provisions of this Section 4.1 apply only to the use and

sale of the Product as a Solvent or Chemical Intermediate, and do not apply to the use or sale of the Product for any other use.

4.2 **Non-exclusive Distributor outside the Territory: Geographic-market restriction**

(a) The Manufacturer hereby appoints the Distributor as a non-exclusive Distributor of the Product for use and sale solely as a Solvent or Chemical Intermediate outside the Territory, and the Distributor hereby accepts and agrees to such appointment to establish, promote, sell and distribute the Product for use and sale solely as a Solvent or Chemical Intermediate outside the Territory, subject to the terms and conditions set forth herein.

(b) The Manufacturer shall be free to appoint any other distributor or other sales representative of the Product outside the Territory.

(c) The Manufacturer reserves the right to directly or indirectly sell Product to customers outside the Territory for any use or purpose.

(d) The Distributor shall not be entitled to any commission, discount or any other compensation with respect to or on account of any sales in terms of 4.2 (b) and (c).

4.3 **Product-market restriction: Product to be sold only into the Solvents and/or Chemical Intermediate product market inside and outside the Territory**

(a) The Parties record that the Product has various applications in various relevant product markets but that Sasol is appointed as a distributor of the Product, inside and outside the Territory, solely for promotion, sale and

distribution of the Product into product markets where the Product is used as a Solvent or Chemical Intermediate.

(b) Subject to compliance with relevant anti-trust laws, the Distributor shall not promote, sell or distribute the Product for any other use other than set out above and specifically, the Distributor shall not sell the Product, directly or indirectly, to any customers or end-users for use in any of the excluded fields or uses set forth in Annexure "E", which Schedule may be amended from time to time by the Manufacturer in the event the Manufacturer grants distribution or sales rights to third parties. The Distributor shall notify its distributors and customers, in writing, that the Product may only be used as a Solvent or Chemical Intermediate, and shall cease any future sales to any customer, end-user, or distributor immediately upon becoming aware that the Product is being used or sold by such customer, end-user, or distributor other than for the use for Solvents or Chemical Intermediate or in the excluded field or uses set forth in Annexure "E".

(c) For the avoidance of doubt, Manufacturer shall be free to sell the Product, directly or indirectly, within and outside the Territory when the Product is not for use or sale as a Solvent or Chemical Intermediate, and Manufacturer shall be free to appoint other distributors to sell the Product, directly or indirectly, within and outside the Territory when the Product is not for use or sale as a Solvent or Chemical Intermediate. The Distributor shall not be entitled to any commission, discount or any other compensation with respect to or on account of any such sales.

(d) The Distributor agrees that during the term of this Agreement, it shall not directly or indirectly distribute or sell any bio-based isobutanol other than the Product.

4.4 **Termination of exclusivity**

(a) In the event the Distributor:

(i) fails to cease any sale to any customer, end-user, or distributor immediately upon becoming aware that such customer, end-user, or distributor sells or uses the Product other than for use as a Solvent or Chemical Intermediate or as an excluded application under Annexure "E" or;

(ii) subject to Product being available and further subject to commercial viability of the relevant transaction, fails or refuses to sell Product to customers who wish to purchase Product in accordance with this Agreement; or

(iii) fails to pay any amounts owed to Manufacturer, hereunder, or breaches Sections 4.3(b), 6.1, 7(c), or 9;

(iv) distributes or sells any bio-based n-butanol,

then, in addition to any other rights or remedies provided for hereunder, at law or in equity, the Manufacturer may declare the Distributor's appointment under Section 4.1 hereof to be non-exclusive in all or any portion of the Territory. In the event Manufacturer elects to terminate Distributor's exclusivity, Manufacturer may, at any time during the remaining term of this Agreement, utilize other persons to be non-exclusive distributors of the Product for use and sale as a Solvent or Chemical Intermediate within the Territory, or the non-exclusive portions thereof, and shall also have the right itself to distribute and sell the Product for use and sale as a Solvent or Chemical Intermediate therein, regardless of the quantity of Product purchased by Distributor. In the

event Manufacturer terminates Distributor's exclusivity, the minimum Product quantity obligations of Distributor as provided for in Section 6.3 shall terminate.

4.5 **Distributor's take-or-pay obligation**

Notwithstanding the foregoing and subject thereto that Manufacturer has provided Distributor with two months prior written notice of the date on which Manufacturer shall sell and deliver the first commercial quantities of Product to the Distributor, as intended in terms of this Agreement and further subject to Manufacturer being compliant with all its obligations in terms of this Agreement:

4.5.1 in the event Distributor fails to purchase the Minimum Supply Quantity of Product in the 2012 calendar year, Distributor will maintain its exclusivity rights under Section 4.1 and Distributor will pay Manufacturer a shortfall fee of $100/MT, multiplied by the difference between the Minimum Supply Quantity and the quantity actually purchased in the 2012 calendar year;

4.5.2 In the event Distributor fails to purchase the Minimum Supply Quantity of Product in the 2013 or 2014 calendar years, Distributor will pay Manufacturer a shortfall fee of $150/MT, multiplied by the difference between the Minimum Supply Quantity and the quantity actually purchased in the 2013 or 2014 calendar year, as applicable;

4.5.3 In the event Distributor fails to purchase the Minimum Supply Quantity of Product for use or sale as a Solvent or Chemical Intermediate in the 2015 or any later calendar year, and wishes to maintain its exclusivity right for the following calendar year, then Distributor will pay Manufacturer a shortfall fee of $150/MT, multiplied by the difference between the Minimum Supply Quantity and the quantity actually purchased in the respective calendar year. If Distributor does not elect to maintain its exclusivity right for the following calendar year, then, for

the remainder of the term of this Agreement, Distributor shall lose its exclusivity rights under this Agreement and Manufacturer may utilize other persons to be non-exclusive distributors of the Product within the Territory, and shall also have the right itself to distribute and sell the Product therein, regardless of the quantity of Product purchased by Distributor.

4.5.4 For the 2015 and later calendar years, if Distributor fails to purchase the applicable Minimum Supply Quantity for that year, Distributor must provide written notice by January 31st of the following calendar year of its election whether or not to maintain its exclusivity rights for the following calendar year and pay the shortfall fee, if any, due hereunder. In the event Distributor fails to purchase the applicable Minimum Supply Quantity for use or sale as a Solvent or Chemical Intermediate within the Territory in any given calendar year and fails to provide Manufacturer written notice of its election on or prior to January 31st of the following calendar year, then Distributor shall be deemed to have forfeited its exclusivity rights hereunder.

5. OBLIGATIONS OF MANUFACTURER

5.1 Manufacture of Product

Manufacturer shall use commercially reasonable efforts to maintain the necessary manufacturing capability to fill all orders for the Product received from Distributor, in a minimum amount (the "**Minimum Supply Quantity**") as provided for in Annexure "B" attached hereto. Manufacturer acknowledges that it intends to supply the target volume quantities of Product set forth in Annexure "F", but that it shall have no supply-or-pay obligation for quantities of Product in excess of the Minimum Supply Quantity.

In the event of a Product shortage for any reason, Manufacturer shall have the right to allocate or apportion available Product among its customers as Manufacturer, in the exercise of its sole discretion, deems appropriate, without

incurring any liability to Distributor. However, in the event, the Distributor has submitted a valid purchase order and Manufacturer is unable to supply such order in a timely manner, the Distributor's Minimum Supply Quantity shall be reduced by the amount of such purchase order for such year.

5.2 **Supply-or-pay obligation**

Provided that Manufacturer has given written notice to the Distributor as contemplated in 4.5 above, Distributor is not in material breach of this Agreement (excluding any breach of Section 4.4) and complies with all of its lead time and other obligations under this Agreement, then, (a) in the event the Distributor places orders, consistent with the requirements of Section 8, to purchase Product from Manufacturer and Manufacturer fails to supply Distributor with the applicable Minimum Supply Quantity of Product in the 2012 calendar year, Manufacturer shall not be deemed to be in breach of this Agreement, but shall pay Distributor a shortfall fee of $100/MT, multiplied by the difference between the Minimum Supply Quantity and the quantity actually supplied to Distributor in the 2012 calendar year, and (b) in the event Manufacturer fails to supply Distributor with the applicable Minimum Supply Quantity of Product in the 2013 calendar year or 2014 calendar year, Manufacturer shall not be deemed to be in breach of this Agreement, but shall pay Distributor a shortfall fee of $150/MT, multiplied by the difference between the Minimum Supply Quantity and the quantity actually supplied to Distributor in the given calendar year.

5.3 **Documentation**

(a) Manufacturer shall furnish Distributor with such reasonable quantities of English language specifications, technical information, promotional material and other information and literature as Manufacturer in its sole discretion shall deem appropriate to assist Distributor in the effective distribution, marketing and sale of the Product within the Territory.

(b) Manufacturer shall provide the Distributor with an appropriate MSDS and any other relevant documentation as required by law, including applicable safety, health, and environmental laws.

(c) Manufacturer shall provide the Distributor with a certificate of analysis ("COA") generated by Manufacturer simultaneously with the delivery of every batch of Product to the Distributor showing that the Product is in accordance with the Specifications.

5.4 **Product Warranty and compliance with relevant laws**

Manufacturer warrants that the Product purchased by Distributor hereunder shall, upon receipt by Purchaser, meet or exceed the minimum specifications set forth in Annexure "C" (the "**Specifications**"). Manufacturer also warrants that it shall comply, in all material respects, with all applicable laws in the manufacture of the Product.

(a) Warranty Remedies - Distributor's exclusive remedy under the warranty provided by this Section 5.4 shall be to obtain the replacement of any Product which, in terms of the COA is determined to not conform to the Specifications. Distributor shall provide prompt written notice to Manufacturer stating the nature and date of any defect and other identifying information concerning the specific shipment of the Product which Distributor claims fails to comply with the foregoing warranty, and shall comply with such additional procedural requirements as Manufacturer shall prescribe from time to time. In response to any such notice, Manufacturer may utilize a qualified independent third party surveyor, reasonably acceptable to both Parties, to conduct its own assessment of the Product, in connection with which Distributor shall make the claimed defective Product reasonably available to Manufacturer.

If upon conclusion of any such assessment by such third party, the Product is found to conform to the warranty in this Section 5.4, Distributor shall reimburse Manufacturer for its costs and expenses incurred in utilizing such third party to conduct such assessment. For all Product determined by such third party not to conform to such warranty, Manufacturer shall bear all shipping, customs and clearance charges incurred in shipping to Distributor replacement quantities of the Product and shall furthermore bear all costs for the return of non-conforming Product to Manufacturer.

(b) Limitations - Except as expressly stated in Section 5.4(a) and to the extent permitted by relevant consumer laws, there are no warranties, express or implied, by operation of law or otherwise, pertaining to the Product sold under this Agreement. Manufacturer does not make and hereby disclaims any other warranty whatsoever, whether express or implied, including without limitation any guarantee, representation, warranty or other assurance whatsoever as to the merchantability, fitness, quality, grade or suitability of the Product for any particular purpose or otherwise or correspondence with any description or sample.

6. OBLIGATIONS OF DISTRIBUTOR

6.1 The Distributor shall at all times at its own cost and expense use its best efforts to develop the Territory and to promote the sale of the Product therein. In connection therewith, Distributor shall maintain facilities suitable for performance of all its obligations hereunder; shall provide, continuous representation within the Territory by means of actual sales personnel contact with existing and prospective customers of the Product in the Territory; and shall hire and maintain a sales staff sufficient in number, qualifications and training to promote and market the Product in the Territory.

6.2 Conduct of Business and Expenses - the Distributor shall conduct its business consistent with the provisions of this Agreement and all applicable laws which may in any way relate to the importation, sale or distribution of the Product in the Territory. Distributor shall maintain in effect at all times the necessary registrations with any and all governmental agencies, commercial registries, chambers of commerce and other offices which may be required under local law in order to conduct commercial business in the Territory with respect to the Product. Distributor shall be responsible for all expenses incurred in connection with the operation of its business and its activities hereunder, including without limitation all expenses for appropriate and customary advertising, promotional items and trade shows, and all communication, travel and accommodations.

6.3 Product Purchase Requirements - the Distributor shall order and purchase from Manufacturer no less than the Minimum Supply Quantity of Product in each given calendar year, and such additional quantities of the Product as the Parties may agree upon in writing from time to time. Distributor acknowledges that it intends to purchase the target volume quantities of Product set forth in Annexure “F”, but that it shall have no take-or-pay obligation for quantities of Product in excess of the Minimum Supply Quantity.

6.4 Minimum Stocking Requirement - the Distributor agrees, during the continuance of this Agreement, to maintain a sufficient stocking level of the Product to fulfill adequately and timely the Product requirements of all customers and prospective customers in the Territory.

6.5 Distributor Warranty - Subject to the provisions of Section 5.4 hereof and further subject to applicable consumer laws of a relevant jurisdiction, Distributor shall be solely responsible for any warranty with respect to the Product made to Distributor’s customers. With respect to any warranty claims covered by Manufacturer’s warranty, Distributor shall fully comply with the requirements of Section 5.4 hereof and the additional procedural requirements from time to time

prescribed by Manufacturer, and Manufacturer shall have no obligation to recognize any such claims unless the prescribed procedures are fully complied with by Distributor.

6.6 Reports - Upon request of Manufacturer and subject to anti-trust laws, Distributor shall furnish to Manufacturer accurate and complete periodic written reports regarding its Product inventory levels and promotional activities with respect to the Product. Distributor shall promptly report to Manufacturer all suspected Product warranty issues and all customer claims or complaints.

6.7 Insurance - Distributor shall obtain and maintain a policy of comprehensive business liability insurance, including without limitation public liability and property damage insurance, issued by an insurer and with limits of liability reasonably acceptable to Manufacturer. Such policy shall name Manufacturer as an additional insured and shall be cancelable only after thirty (30) days' written notice to Manufacturer. Distributor shall from time to time furnish Manufacturer with a certificate of insurance evidencing such insurance.

6.8 Sale & Use Restrictions - Subject to compliance with relevant anti-trust laws, the Distributor shall notify its distributors and customers, in writing, that the Product may only be used as a Solvent or Chemical Intermediate, and shall cease any future sales to any customer, end-user, or distributor immediately upon becoming aware that the Product is being used or sold by such customer, end-user, or distributor other than for the use for Solvents or Chemical Intermediate or in the excluded field or uses set forth in Annexure "E".

7. INDEMNITIES AND LIABILITIES

(a) Except as provided in Sections 7(c) and 7(d) or due to breach of Section 9, neither Party shall be liable to the other, its agents, representatives, employees, customers or any other third party, for any incidental, indirect,

special or consequential damages, including without limitation loss of use, loss of revenue or loss of profit, in connection with or arising out of this Agreement or the existence, furnishing or functioning of the Product or any item or services provided for in this Agreement or from any other cause, including without limitation claims by third parties, even if a Party has been advised of the possibility of such damages.

(b) Subject to the applicable consumer laws of a relevant jurisdiction, and other than as provided in Section 7(d), Manufacturer's sole liability, whether on warranty, contract, or negligence grounds under this Agreement shall be limited to the replacement of any quantities of the Product determined by the COA not to comply with the warranty herein; provided, however, that (a) Manufacturer's warranty shall not extend to any quantities of the Product following any processing or other alteration thereof by Distributor or any third party and (b) Manufacturer shall be under no obligation to provide replacement Product necessitated in whole or in part by catastrophe, fault or negligence of the user or any third party, improper or unauthorized use or storage of the Product, or by causes external to the Product, including without limitation loss, damage or destruction in shipment or as a result of power failure.

(c) Distributor shall indemnify, defend and hold harmless Manufacturer and Manufacturer's officers, directors, shareholders, affiliates, agents, representatives, employees, successors and assigns (collectively, "**Related Persons**") from and against any and all third party liabilities, losses, damages, injuries, costs, expenses, causes of action, claims, suits, demands, legal proceedings, assessments and similar matters, including without limitation reasonable attorneys' fees (collectively, "**Claims**"), resulting from or arising out of (a) the material breach of this Agreement by Distributor, (b) any use of the Product in combination with any other product not furnished by Manufacturer, (c) any gross negligence

or willful misconduct of Distributor or any of Distributor's Related Persons, (d) any contamination, damage or adverse effect on the environment or natural resources (including without limitation the cost of any investigation or remediation related thereto) in any way arising out of or caused or alleged to have been caused by Distributor or any of Distributor's Related Persons, or (e) any warranty, other than a warranty identical to that provided in Section 5.4 hereof, made by Distributor to its customers.

(d) Manufacturer shall indemnify, defend and hold harmless Distributor and Distributor's Related Persons from and against any and all third party Claims, resulting from or arising out of (a) the material breach of this Agreement by Manufacturer, (b) any gross negligence or willful misconduct of Manufacturer or any of Manufacturer's Related Persons or (d) any contamination, damage or adverse effect on the environment or natural resources (including without limitation the cost of any investigation or remediation related thereto) in any way arising out of or caused or alleged to have been caused by Manufacturer or any of Manufacturer's Related Persons, other than to the extent Distributor is required to indemnify Manufacturer pursuant to Section 7(c).

8. ORDERING AND SHIPMENT OF PRODUCT

8.1 Forecasts

Distributor shall furnish Manufacturer, no later than the tenth (10th) day of each month, with a written forecast of Product requirements for the ensuing three (3) months, the first month of which Distributor commits to purchase ("First Month"). Whenever possible, all such forecasts shall be in sufficient detail to show expected order dates and probability of receiving orders. In no event shall a written forecast for any quarter of a calendar year exceed one-third (1/3) of the Minimum Supply Quantity for such calendar year.

8.2 **Purchase Orders**

Each order by Distributor for the shipment of Product shall be by firm purchase order in writing specifying (a) the quantity of Product to be purchased, (b) whether such quantity is within or, when added to prior purchases, would be in excess of the Minimum Supply Quantity for the then current calendar year within the Territory, (c) the price of the Product determined in accordance with Section 8.3, (d) requested delivery dates and (e) shipping instructions. Manufacturer may, at its option, accept or reject any such purchase order as provided in Annexure "D" or for quantities in excess of the Minimum Supply Quantity in any given calendar year, in whole or in part by written acknowledgment of the purchase order to Distributor or by actual delivery in accordance with the purchase order. Further, and notwithstanding anything in this Agreement to the contrary, Manufacturer shall have no obligation to accept any purchase order that would require Manufacturer to supply Distributor:

(a) in any individual quarter of a calendar year, with a quantity of Product that would exceed one-third (1/3) of the Minimum Supply Quantity for such calendar year, or,

(b) in any individual month of a calendar year, with a quantity of Product that would exceed one-sixth (1/6) of the Minimum Supply Quantity for such calendar year.

8.3 **Price**

8.3.1 The price to be paid by Distributor to Manufacturer for the Product in each shipment shall be calculated according to formula's provided for in Annexure "D" according to the relevant region of destination. Such Price excludes Value Added Tax ("VAT").

8.3.2 The Product price calculations are to be performed by Distributor using the formulas in Annexure “D” making use of the specified published market price indicators together with average actual prices achieved in the past by Distributor. Given these circumstances, Manufacturer has the right, at its sole discretion, to request a third party audit of such pricing calculations. Such third party audit shall in all respects be subject to and in accordance with anti-trust laws and in respect of the sharing of sensitive information, no raw pricing data shall be shared between the Parties.

8.4 Terms and Conditions - All Product purchased by Distributor from the Manufacturer shall be on an EXW, (INCOTERMS 2010), purification plant basis.

8.5 Delivery; Risk of Loss - Delivery of any order hereunder shall be deemed to occur upon Manufacturer making the Product available to the carrier or freight forwarder selected by Distributor. Title to and risk of loss of all Product sold hereunder shall pass to Distributor upon such delivery, and the risks of loss, damage or delay in transit shall be solely the responsibility and risk of Distributor. All claims for loss, damage or destruction will be made by Distributor to the carrier, but Manufacturer will render all reasonable assistance, at the request and expense of Distributor, in securing satisfactory adjustment of such claims.

8.6 Payment Requirements - Payment of the net invoice price for all Product purchased by Distributor shall be received by Manufacturer within forty-five (45) days after Manufacturer transfers the Product to Distributor’s designated carrier or freight forwarder. Each such payment shall be made in United States currency by bank transfer to such bank account as Manufacturer may from time to time designate in writing, and shall be accompanied by a remittance advice identifying the specific items paid. In the event that Distributor fails to pay Manufacturer in a timely manner as required by this Section 8.6, any unpaid balance shall be subject to a late charge at the rate of one and one-half percent (1.5%) per month for each month or portion thereof during which such payment is

overdue or, if lower, the highest rate then permitted by applicable law. In addition, Manufacturer may, at its option, suspend all shipments to Distributor (including stoppage in transit), may require that future shipments be paid for in advance or may make any other credit arrangements satisfactory to Manufacturer in its sole discretion. Manufacturer's rights pursuant to this Section 8.6 shall be cumulative and without prejudice to Manufacturer's right to declare Distributor in default under this Agreement by reason of such delinquency, and Manufacturer shall have the right to avail itself of any and all other remedies to which it may be entitled hereunder, at law or in equity.

8.7 Non-conforming Shipments - Manufacturer shall have no liability for any shortage or other discrepancy in any shipment of Product hereunder unless Distributor sends Manufacturer notice, within ten (10) days after actual receipt of the shipment at Distributor's facility, that the shortage or discrepancy existed when the shipment was received. In the event a shipment is nonconforming by reason of any defect in the Product contained in such shipment, Distributor shall so inform Manufacturer within such ten (10) day period, and Manufacturer shall undertake such action as may be required pursuant to its warranty herein, unless the defect resulted from transit damage, loss or damage following delivery of the Product or Distributor's fault.

9. CONFIDENTIALITY

9.1 Definition

As used herein, the term "**Confidential Information**" shall mean all information and material disclosed or otherwise provided by either Party to the other in the course of performing this Agreement. "Confidential Information" does not include that which (a) is generally known and available in the public domain through no fault of the other Party; (b) was known to the other Party at the time of disclosure without a duty of confidentiality, as evidenced by the receiving Party's documentation in existence at the time of disclosure by the disclosing Party; (c) is disclosed with the prior written approval of the disclosing Party; or (d) is

independently developed by the other Party without any use of Confidential Information of the disclosing Party, as evidenced by the other Party's documentation in existence at the time of disclosure by the disclosing Party.

9.2 **Restrictions on Use**

Each Party agrees not to use the other Party's Confidential Information for any purpose other than the performance of this Agreement. Neither Party shall disclose Confidential Information of the other Party to any third parties except as otherwise permitted hereunder. Each Party may disclose Confidential Information of the other Party only to its employees, agents, contractors or representatives who have a need to know such Confidential Information and who are bound to retain the confidentiality thereof under provisions (including, without limitation, provisions relating to nonuse and nondisclosure) no less strict than those required by this Agreement. Each Party shall maintain Confidential Information of the other Party with at least the same degree of care it uses to protect its own proprietary information of a similar nature or sensitivity, but no less than reasonable care under the circumstances.

9.3 **Terms of Agreement**

Each Party agrees that the terms and conditions of this Agreement shall be treated as Confidential Information of the other Party; provided that each Party may disclose the terms and conditions of this Agreement (a) as required by judicial order or other legal obligation, provided that, in such event, the Party subject to such obligation shall promptly notify the other Party to allow intervention (and shall cooperate with the other Party) to contest or minimize the scope of the disclosure (including application for a protective order); (b) as required by applicable securities laws, including without limitation requirements to file a copy of this Agreement (redacted to the extent reasonably permitted by applicable law) or to disclose information regarding the provisions hereof or performance hereunder, in which case the disclosing Party will notify the other Party in advance of, and give due consideration to the other Party's comments

regarding, the scope of the proposed disclosure and minimization of same; (c) in confidence, to legal counsel; (d) in confidence, to accountants, banks and financing sources and their advisors; and (e) in confidence, in connection with the enforcement of this Agreement or any rights hereunder.

9.4 **Relief**

Each Party acknowledges that (a) the restrictions contained in Section 9.1 through 9.3 hereof shall apply in all areas where such application is permitted by law, (b) the provisions of this Section 9 are reasonable and necessary to protect the legitimate interests of the other Party, (c) the restrictions contained in this Section 9 will not prevent such Party from earning or seeking a livelihood and (d) any violation of this Section 9 by such Party would result in irreparable harm to the other Party. Accordingly, each Party hereby consents and agrees that, if it continues to violate any of the provisions of this Section 9 for a period of five (5) or more business days after notice thereof from the other Party, such other Party shall be entitled, in addition to other remedies available to it, to an injunction, without the necessity of bond or other undertaking, to be issued by any court of competent jurisdiction restraining the commission or continuation of any violation of this Agreement.

9.5 **Enforceability**

In the event that the whole or any part of the provisions of this Section 9 shall be determined to be invalid by reason of the extent, duration, scope or other provision set forth therein, those provisions shall be reduced so as to cure such invalidity and in its reduced form the provisions of this Section 9 shall be enforceable in the manner contemplated hereby. The provisions of this Section 9 shall survive the termination or expiration of this Agreement, irrespective of the reason therefor.

10. TERM AND TERMINATION

Subject to the remaining provisions of this Section10, the term of this Agreement is 3 years from the Effective Date, thereafter renewable on an annual basis subject to the consent of both parties.

10.1 Termination for Non-payment

Either Party may terminate this Agreement in whole or in part upon failure by the other Party, within five (5) business days following notification by the terminating Party, to pay any amount due and unpaid hereunder.

10.2 Termination for Cause

Subject to the provisions of Section 10.1 and 10.3, if either Party defaults in the performance of any provision of this Agreement, then the non-defaulting Party may give written notice to the defaulting Party that if the default is not cured within thirty (30) days the Agreement will be terminated. If the non-defaulting Party gives such notice and the default is not cured during the thirty-day period, then this Agreement shall automatically terminate at the end of that period. Either Party may also terminate this Agreement effective immediately upon notice to the defaulting Party in the event of (a) conviction in any court of competent jurisdiction of the defaulting Party or any principal officer or manager of the defaulting Party, of any crime tending to affect adversely the ownership, operation, management, business or interest of the defaulting Party, or (b) failure of the defaulting Party to obtain or maintain any license or approval required by law.

10.3 Termination for Insolvency

This Agreement shall terminate, without notice, (a) upon the institution by or against either Party of insolvency, receivership or bankruptcy proceedings or any other proceedings for the settlement of such Party's debts, (b) upon either Party's

making an assignment for the benefit of creditors, or (c) upon general dissolution or ceasing to do business by such Party.

10.4 **Consequences of Termination**

Upon the expiration or termination of this Agreement for any reason, (a) all sums which either Party then owes to the other hereunder shall become immediately due and payable, (b) all remaining obligations of Manufacturer to make deliveries and sales hereunder shall immediately cease, (c) Distributor shall immediately cease to hold itself out as an authorized distributor of Manufacturer, (d) Distributor shall immediately return to Manufacturer all specifications, technical information, promotional material and other information and literature concerning the Product as have previously been furnished to Distributor by Manufacturer and (e) the provisions of Section 9 hereof shall survive and each Party shall continue to perform and observe such provisions as if such termination had not occurred.

10.5 **No Liability**

Provided that the termination, expiration or nonrenewal of this Agreement has occurred lawfully and in terms of this Agreement, neither Party shall be liable by reason of the termination, expiration or nonrenewal of this Agreement to the other Party for compensation, reimbursement or damages on account of any loss of prospective profits on anticipated sales or on account of expenditures, investment, leases or other commitments relating to the business or goodwill of the other Party.

11. **MISCELLANEOUS**

11.1 **Relationship of Parties**

Manufacturer and Distributor each hereby acknowledges that it is an independent entity and is not subject to the control of the other Party hereto in any manner except as specifically provided in this Agreement. Nothing herein shall be construed to make the Parties hereto partners or joint venturers, or to render either Party liable for any of the debts or obligations of the other Party hereto.

11.2 **Foreign Corrupt Practices**

The Parties represent that each has read and is familiar with the United States Foreign Corrupt Practices Act of 1977 and will comply with said act and is aware of the sensitive nature of international military contracting and the types of improprieties which have received widespread publicity concerning some such contracts. The Parties will at all times conduct the work under this Agreement so as to strictly abide by the laws of the United States and the customer's country, and will at all times avoid any situation which would cause any representative or agent of the government in any portion of the Territory to appear to have a conflict of interest. Distributor will not share any commission or fee paid hereunder with any third party or parties other than Distributor's designated in-country representative(s).

11.3 **Notices**

Any and all notices and communications hereunder shall be in writing and shall be deemed to have been duly given when delivered personally, at the time of receipt if by facsimile, telegram or similar means of communication, or fourteen (14) days after mailing when deposited in the United States or Territory mail, first class postage prepaid, addressed to the Parties at the addresses set forth immediately following the signatures of the Parties or to such other addresses as either of the Parties may from time to time in writing designate to the other Party hereto.

11.4 **Time**

Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

11.5 **Force Majeure**

If either Manufacturer or Distributor shall be unable, by reason of any event referred to herein as "force majeure," to carry out its obligations under this

Agreement, either wholly or in part, the Party so failing shall give notice and full particulars of such event or events in writing to the other Party as soon as possible after the occurrence of any such event, and thereupon such obligation shall be suspended during the continuance of such cause which, however, shall be remedied or removed with all possible dispatch; and the obligations, terms and conditions of this Agreement shall be extended for such period as may be reasonably necessary for the purpose of making good any suspension so caused, provided that no claim for suspension shall be made by either Party when the period of suspension so caused shall be less than ten (10) consecutive business days. The events referred to herein as "force majeure" shall include fire, casualty, unavoidable accident, failure of the usual sources of supply, strikes, labor conditions, lockouts, war, acts of God, the enactment of any federal, state or municipal law or ordinance or the issuance of any executive or judicial order, whether federal, state or municipal, or of any other legally constituted authority, accidents to machinery or any other cause not within the control of the Party claiming relief from any of the requirements of this Agreement and that, by the exercise of due diligence, the Party is unable to prevent or overcome. Mere inability to make any payment of money required hereunder shall not constitute an event of "force majeure."

11.6 **Waiver**

No delay or failure by either Party to exercise any right, power or remedy with regard to any breach or default by the other Party under this Agreement shall impair any such right, power or remedy and shall not be construed to be a waiver of any breach or default of the same or any other provision of this Agreement. Any waiver, permit, consent or approval of any kind or character on the part of either Party of or to any breach or default by the other Party shall be effective only if in writing and shall not be construed to be a waiver, permit, consent or approval of or to any succeeding breach or default or a waiver of any provision of this Agreement.

11.7 **Assignment**

This Agreement may not be assigned in whole or in part by either Party without the prior written consent of the other Party (the “Remaining Party”). Notwithstanding the foregoing, a Party (the “Assigning Party”) may, without the Remaining Party’s consent, delegate and/or subcontract its rights and obligations hereunder to any of its affiliates, provided that (a) no such delegation and/or subcontracting shall relieve the Assigning Party from any of its obligations hereunder, (b) each such affiliate agrees in writing to be bound by the terms of this Agreement, and (c) the Assigning Party promptly notifies the Remaining Party of such delegation and/or subcontracting and provides the Remaining Party with a copy of the agreement executed by such affiliate. Further, Manufacturer may assign this agreement in connection with a merger, change in control, or other transfer of all or substantially all of the Manufacturer’s assets which pertain to this Agreement, provided that (a) such third party agrees in writing to be bound by the terms of this Agreement and (b) Distributor is notified within thirty (30) days after such assignment of such assignment. The Remaining Party may, at its sole discretion, refuse consent to any other assignments. For the purposes of this Section, an “affiliate” is any entity controlling, controlled by or under common control with the Assigning Party.

11.8 **Successors**

Subject to the provisions of Section 11.7 hereof, the covenants, agreements, terms and conditions contained in this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

11.9 **Applicable Law**

The existence, validity, construction and operational effect of this Agreement, and the rights and obligations hereunder of each of the Parties, shall be determined in accordance with the laws of England, provided that any provision of this Agreement which may be prohibited by or otherwise held invalid under such law shall be ineffective only to the extent of such prohibition or invalidity and

shall not invalidate or otherwise render ineffective any or all of the remaining provisions of this Agreement. Both Manufacturer and Distributor shall comply with the export control laws and regulations of the United States, and neither Manufacturer nor Distributor shall export or reexport any Product in any manner contrary to the applicable export control laws or laws and regulations of the United States or any other country. Both Parties hereby confirm their intention to exclude application of the U.N. Convention on the International Sale of Goods if such Convention would otherwise be applicable to any transaction contemplated by this Agreement.

11.10 **Controversy**

Subject to the terms of this Section 11.10, all controversies, claims and disputes arising in connection with this Agreement shall be settled by mutual consultation between the Parties in good faith as promptly as possible, but failing an amicable settlement shall be settled finally by arbitration conducted in London, England, in accordance with the Rules of the London Court of International Arbitration.

(a) Exclusivity - The Parties hereto hereby agree that, with the exception of claims arising out of a breach of Section 9, the arbitration procedure provided for herein shall be the sole and exclusive method of resolving any and all of the aforesaid controversies, claims or disputes. Should either Party bring any legal action against the other with respect to any claim required to be arbitrated under this Agreement by any method other than arbitration, the other party shall be entitled to recover from such party all damages, costs, expenses and attorneys' fees incurred as a result of such action.

(b) Decision by Arbitrators - Manufacturer and Distributor shall each select an arbitrator to resolve any dispute hereunder, and the two arbitrators so selected shall select a third arbitrator. The three arbitrators so selected shall make a final decision and award according to the terms and

provisions of this Agreement and applicable law. Said decision shall set forth findings of fact and conclusions of law upon which the award is based. The arbitrators may select counsel to provide advice in preparation of such findings and conclusions, and on any point of law arising in the course of arbitration. The decision of any two (2) arbitrators shall constitute a final decision and award hereunder. The arbitrators shall have no power to award any damages excluded by, or in excess of, any damage limitations expressed in this Agreement or any subsequent agreement between the Parties. The award shall be in U.S. Dollars and shall earn interest from the date of the award until satisfied in full at the United States prime interest rate as reported in the WALL STREET JOURNAL on the business day immediately preceding the date of the award. Judgment upon the award may be entered in any court which has jurisdiction over such matter in accordance with the provisions of Section 11.10(e) hereof.

(c) Confidentiality - All arbitration proceedings, including all evidence and statements, shall be confidential and shall not be used or disclosed for any other purpose.

(d) Costs and Expenses - The costs and expenses of the arbitration, including without limitation attorneys' fees, shall be borne by the Parties in the manner determined by the arbitrators.

(e) Judicial Action - Legal action for (i) entry of judgment upon any arbitration award or (ii) adjudication of any controversy, claim or dispute arising from a breach or alleged breach of this Section 11.10 or of Section 9 may be heard or tried only in the courts of London, England. Each of the Parties hereby waives any defense of lack of *in personam* jurisdiction of said courts and agrees that service of process of such court may be made upon each of them by personal delivery or by mailing certified or

registered mail, return receipt requested, or the equivalent in the Territory, to the other Party at the address provided for in this Agreement. Both Parties hereby submit to the jurisdiction of the court so selected, to the exclusion of any other courts which may have had jurisdiction apart from this Section 11.10, and agree that the prevailing Party shall be entitled to recover from the non-prevailing Party reasonable expenses, including without limitation reasonable attorneys' fees.

12. ENTIRE AGREEMENT

This Agreement sets forth the entire agreement between the Parties, fully supersedes any and all prior agreements or understandings between the Parties pertaining to the subject matter hereof and no change in, modification of or addition, amendment or supplement to this Agreement shall be valid unless set forth in writing and signed and dated by both of the Parties subsequent to the execution of this Agreement. This Agreement may be executed in several counterparts and any and all such executed counterparts shall constitute one (1) Agreement binding on both Manufacturer and Distributor notwithstanding that both are not signatories to the original or to the same counterpart.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

"Manufacturer"	"Distributor"
GEVO, INC.	**SASOL CHEMICAL INDUSTRIES LIMITED, ACTING THROUGH ITS SASOL SOLVENTS DIVISION**
By: /s/ Christopher Ryan	By: /s/ TJ Makhoere
Name: Christopher Ryan	Name: TJ Makhoere
Title: President	Title: MD Sasol Solvents

Exhibit 31.1

CERTIFICATIONS

I, Patrick R. Gruber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gevo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 2, 2011

/S/ PATRICK R. GRUBER

Patrick R. Gruber
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Mark Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gevo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2011

/S/ MARK SMITH

Mark Smith
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Patrick R. Gruber, Chief Executive Officer of Gevo, Inc. (the “Company”), and I, Mark Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2011 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

/s/ Patrick R. Gruber

Patrick R. Gruber
Chief Executive Officer

Date: November 2, 2011

/s/ Mark Smith

Mark Smith
Chief Financial Officer

Date: November 2, 2011

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, whether made before or after the date of the Report and irrespective of any general incorporation language contained in such filing.