Gevo, Inc.
Form 10-Q
November 06, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
Commission File Number 001-35073

GEVO, INC.

(Exact name of registrant as specified in its charter)

Delaware	87-0747704
(State or other jurisdiction of 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer,", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

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

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

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

As of October 31, 2017, 21,810,552 shares of the registrant's common stock were outstanding.

GEVO, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GEVO, INC.

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	(unaudited) September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 14,764	$ 27,888
Accounts receivable	1,243	1,122
Inventories	4,331	3,458
Prepaid expenses and other current assets	828	850
Total current assets	21,166	33,318
Property, plant and equipment, net	71,917	75,592
Restricted deposits	-	2,611
Deposits and other assets	803	803
Total assets	$ 93,886	$ 112,324
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	5,129	6,193
2017 Notes recorded at fair value	-	25,769
2020 Notes embedded derivative liability	6,453	-
Derivative warrant liability	2,139	2,698
Total current liabilities	13,721	34,660
2020 Notes, net	13,108	-
2022 Notes, net	515	8,221
Other long-term liabilities	142	179
Total liabilities	27,486	43,060
Commitments and Contingencies (see Note 11)		

Stockholders' Equity		
Common Stock, $0.01 par value per share; 250,000,000 authorized, 19,868,254 and 7,074,246 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively.	199	71
Additional paid-in capital	463,165	445,913
Accumulated deficit	(396,964)	(376,720)
Total stockholders' equity	66,400	69,264
Total liabilities and stockholders' equity	$ 93,886	$ 112,324

See notes to unaudited consolidated financial statements.

GEVO, INC.

Consolidated Statements of Operations

(in thousands, except share and per share amounts)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue and cost of goods sold				
Ethanol sales and related products, net	$7,376	$6,363	$ 19,709	$ 19,288
Hydrocarbon revenue	235	451	984	1,462
Grant and other revenue	88	130	163	627
Total revenues	7,699	6,944	20,856	21,377
Cost of goods sold	9,709	9,650	28,822	28,862
Gross loss	(2,010)	(2,706)	(7,966)	(7,485)
Operating expenses				
Research and development expense	1,210	1,156	4,318	3,670
Selling, general and administrative expense	1,893	2,273	6,190	6,337
Total operating expenses	3,103	3,429	10,508	10,007
Loss from operations	(5,113)	(6,135)	(18,474)	(17,492)
Other (expense) income				
Interest expense	(811)	(2,100)	(2,152)	(6,497)
(Loss) on exchange of debt	-	(920)	(4,933)	(920)
(Loss)/Gain on extinguishment of warrant liability	-	5	-	(918)
(Loss) from change in fair value of the 2017 Notes	-	(1,854)	(339)	(3,629)
(Loss)/Gain from change in fair value of derivative warrant liability	(413)	1,154	5,106	(4,171)
Gain from change in fair value of 2020 notes embedded derivative	2,184	-	522	-
(Loss) on issuance of equity	-	-	-	(1,519)
Other income / (expense)	-	1	26	207
Total other expense, net	960	(3,714)	(1,770)	(17,447)
Net loss	$(4,153)	$(9,849)	$ (20,244)	$ (34,939)
Net loss per share - basic and diluted	$(0.25)	$(2.04)	$ (1.40)	$ (12.41)
Weighted-average number of common shares outstanding -	16,508,158	4,837,698	14,506,448	2,814,266

basic and diluted

See notes to unaudited consolidated financial statements.

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GEVO, INC.

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Nine Months Ended September 30, 2017	2016
Operating Activities		
Net loss	$(20,244)	$(34,939)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss/(Gain) from change in fair value of derivative warrant liability	(5,497)	4,171
(Gain) from change in fair value of 2020 embedded derivative	(522)	-
Loss from the change in fair value of the 2017 notes	339	3,629
Loss on exchange of debt	4,933	920
Loss/(Gain) on extinguishment of warrant liability	392	918
Loss on issuance of equity	-	1,519
Stock-based compensation	323	812
Depreciation and amortization	4,994	5,038
Non-cash interest expense	579	3,339
Changes in operating assets and liabilities:		
Accounts receivable	(121)	312
Inventories	(873)	284
Prepaid expenses and other current assets	22	(113)
Accounts payable, accrued expenses, and long-term liabilities	(766)	(2,095)
Net cash used in operating activities	(16,441)	(16,205)
Investing Activities		
Acquisitions of property, plant and equipment	(1,682)	(5,520)
Net cash used in investing activities	(1,682)	(5,520)
Financing Activities		
Payments on secured debt	(9,791)	(504)
Debt and equity offering costs	(1,071)	(3,295)
Proceeds from issuance of common stock and common stock warrants	11,044	28,661
Proceeds from the exercise of warrants	2,206	10,895
Release of restricted cash held as collateral on 2017 Notes	2,611	-
Net cash provided by financing activities	4,999	35,757
Net (decrease)/increase in cash and cash equivalents	(13,124)	14,032
Cash and cash equivalents		
Beginning of period	27,888	17,031

End of period	$14,764	$31,063

See notes to unaudited consolidated financial statements.

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GEVO, INC.

Consolidated Statements of Cash Flows - Continued

(in thousands)

(unaudited)

Supplemental disclosures of cash and non-cash investing and financing transactions	Nine Months Ended September 30, 2017	2016
Cash paid for interest, net of interest capitalized	$2,142	$3,102
Non-cash purchase of property, plant and equipment	$150	$140
Exchange of convertible debt into common stock	$8,653	$11,400
Accrued debt issue costs	$29	$-
Discount due to exchange of 2017 Notes for 2020 Notes	$3,009	$-
Fair value of 2020 Notes embedded derivative upon exchange	$6,975	$-
Fair value of warrants at issuance and upon exercise, net	$4,546	$13,408

See notes to unaudited consolidated financial statements.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements

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

Nature of Business. Gevo, Inc. (“Gevo” or the “Company,” which, unless otherwise indicated, refers to Gevo, Inc. and its subsidiaries) is a renewable chemicals and next generation biofuels company focused on the development and commercialization of alternatives to petroleum-based products using isobutanol produced from renewable feedstocks. Gevo was incorporated in Delaware on June 9, 2005. Gevo formed Gevo Development, LLC (“Gevo Development”) in September 2009 to finance and develop biorefineries through joint venture, licensing arrangements, tolling arrangements or direct acquisition (see Note 8 Gevo Development). Gevo Development became a wholly-owned subsidiary of Gevo in September 2010. Gevo Development purchased Agri-Energy, LLC (“Agri-Energy”) in September 2010.

Through May 2012, Agri-Energy, was engaged in the business of producing and selling ethanol and related products produced at its production facility located in Luverne, Minnesota (the “Luverne Facility”). The Company commenced the retrofit of the Luverne Facility in 2011 and commenced initial startup operations for the production of isobutanol at this facility in May 2012. In September 2012, the Company made the strategic decision to pause isobutanol production at the Luverne Facility to focus on optimizing specific parts of the process to further enhance isobutanol production rates.

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

In 2014, the Company further reconfigured the Luverne Facility to enable the co-production of both isobutanol and ethanol, leveraging the flexibility of its GIFT ® technology, with one fermenter utilized for isobutanol production and three fermenters utilized for ethanol production. In line with the Company’s strategy to maximize asset utilization and site cash flows, the Company believes that this configuration of the Luverne Facility should allow it to continue to optimize its isobutanol technology at a commercial scale, while taking advantage of potentially superior ethanol contribution margins. As a result, during certain periods the Company may only produce ethanol at the Luverne Facility. In addition, the condition of two of the Luverne Facility’s oldest fermentation vessels may limit the Company’s ability to co-produce isobutanol and ethanol. Therefore, the Company expects to focus on the production of ethonal and produce limited volumes of isobutanol until one or both of these fermentation vessels have been repaired or replaced.

As of September 30, 2017, the Company continues to engage in research and development, business development, business and financial planning, optimizing operations for isobutanol, hydrocarbon and ethanol production and raise capital to fund future expansion of its Luverne Facility for increased isobutanol and hydrocarbon production. Ultimately, the Company believes that the attainment of profitable operations is dependent upon future events, including (i) completing its development activities resulting in commercial production and sales of isobutanol or isobutanol-derived products and/or technology, (ii) obtaining adequate financing to complete its development activities, (iii) obtaining adequate financing to build out further isobutanol and hydrocarbon production capacity, (iv) gaining market acceptance and demand for its products and services, and (v) attracting and retaining qualified personnel.

The Company has primarily derived revenue from the sale of ethanol, distiller's grains and other related products produced as part of the ethanol production process at the Luverne Facility. The production of ethanol alone is not the Company's intended business and its future strategy is expected to depend on its ability to produce and market isobutanol and products derived from isobutanol. As a result, the historical operating results of the Company may not be indicative of future operating results for Agri-Energy or Gevo.

Financial Condition. For the nine months ended September 30, 2017 and 2016, the Company incurred a consolidated net loss of $20.2 million and $34.9 million, respectively, and had an accumulated deficit of $397.0 million at September 30, 2017. The Company's cash and cash equivalents at September 30, 2017 totaled $14.8 million and are expected to be used for the following purposes: (i) operating activities of the Luverne Facility; (ii) operating activities at the Company's corporate headquarters in Colorado, including research and development work; (iii) capital improvements primarily associated with the Luverne Facility; (iv) costs associated with optimizing isobutanol production technology; (v) exploration of strategic alternatives and new financings; and (vi) debt service and repayment obligations.

The Company expects to incur future net losses as it continues to fund the development and commercialization of its product candidates. To date, the Company has financed its operations primarily with proceeds from multiple sales of equity and debt securities, borrowings under debt facilities and product sales. The Company's transition to profitability is dependent upon, among other things, the successful development and commercialization of its product candidates and the achievement of a level of revenues adequate to support the Company's cost structure. The Company may never achieve profitability or positive cash flows, and unless and until it does, the Company will continue to need to raise additional cash. Management intends to fund future operations through additional private and/or public offerings of debt or equity securities. In addition, the Company may seek additional capital through arrangements with strategic partners or from other sources, it may seek to restructure its debt and it will continue to address its cost structure. Notwithstanding, there can be no assurance that the Company will be able to raise additional funds, or achieve or sustain profitability or positive cash flows from operations. Existing working capital was not sufficient to meet the cash requirements to fund planned operations through the period that is one year after the date the Company's audited 2016 year-end financial statements were issued. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's inability to continue as a going concern may potentially affect the Company's rights and obligations under its senior secured debt and issued and outstanding convertible notes. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern and do not include adjustments that might result from the outcome of this uncertainty. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of liabilities in the normal course of business.

Basis of Presentation. The unaudited consolidated financial statements of the Company (which include the accounts of its wholly-owned subsidiaries Gevo Development and Agri-Energy) have been prepared, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company at September 30, 2017 and are not necessarily indicative of the results to be expected for the full year. These statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included under the heading "Financial Statements and Supplementary Data" in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2016 (the "Annual Report").

Reverse Stock Split. On December 21, 2016, the Board of Directors approved an amendment to its Amended and Restated Certificate of Incorporation to effect a one-for-twenty reverse stock split of the Company's common stock, par value $0.01 per share. The reverse stock split became effective January 5, 2017. Unless otherwise indicated, all share amounts, per share data, share prices, exercise prices and conversion rates set forth in these notes and the accompanying consolidated financial statements have, where applicable, been adjusted retroactively to reflect this reverse stock split.

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

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

Recent Accounting Pronouncements

Revenue from Contracts with Customers ("ASU 2014-09"). In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. The objective of ASU 2014-09 is to outline a new, single comprehensive model to use in accounting for revenue arising from contracts with customers. The new revenue recognition model provides a five-step analysis for determining when and how revenue is recognized, depicting the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received in exchange for those goods or services. ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2016. Early adoption is permitted. On July 9, 2015, the FASB Board voted to delay the implementation of ASU 2014-09 by one year to December 15, 2017. In April 2016, the FASB issued Accounting Standards Update No. 2016-10 Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing ("ASU 2016-10") which provides additional clarification regarding Identifying Performance Obligations and Licensing. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. The Company has not yet selected a transition method.

The Company's current and historical revenues have consisted of the following: (a) ethanol sales and related products revenue, net; (b) Hydrocarbon revenue; and (c) grant and other revenue, which primarily has historically consisted of revenues from governmental and cooperative research grants. The following provides the Company's initial assessment on how this standard will impact the aforementioned sources of revenue. However, given the complexity of this new standard and the Company is still in the process of further evaluation, the information below is subject to change and a different conclusion may be reached in the fourth quarter of 2017.

Ethanol sales and related products revenues. Ethanol sales and related products revenues are sold to customers on a "free-on-board, shipping point" basis. Each transaction occurs independent of any other sale, and once sold, there are no future obligations on the part of the Company to provide post-sale support or promises to deliver future goods or services. The Company has and continues to sell close to 100 percent of its ethanol production to a single customer, representing 77.1% and 70.0% of total revenues for the nine-months ended September 30, 2017 and 2016, respectively. The Company completed its review of this customer and consistent with prior assessments, does not expect there to be any impact on how the Company has and will continue to account for sales of ethanol to this customer. The Company continues to evaluate other ethanol related product sale revenue streams, such as distiller's grains and other ethanol related revenues to determine, what, if any, impact the new revenue recognition standard will have on the Company's historical and future financial statements. However, the Company currently anticipates that there will be no material impact.

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

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

Leases ("ASU 2016-02"). In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Topic 842 Leases. ASU-2016-02 requires leases to be reported on the financial statements. The objective is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Future minimum lease obligations for leases accounted for as operating leases at September 30, 2017 totaled $3.3 million. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-02 on its consolidated financial statements.

Statement of Cash Flows, Classification of Certain Cash Receivable and Cash Payments (“ASU 2016-15”). In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments which clarifies cash flow statement classification of eight specific cash flow issues. The purpose of ASU 2016-15 is to provide clarification and consistency for classifying the eight specific cash flow issues because current GAAP either is unclear or does not include specific guidance. The amendments in the update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-15 on its consolidated statements of cash flows.

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

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

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

Adoption of New Accounting Pronouncements.

Simplifying the Measurement of Inventory (“ASU 2015-11”). In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory which requires an entity to measure in scope inventory at the lower of cost and net realizable value. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company adopted this standard for the year-ending December 31, 2017. Adoption of this standard does not materially impact the measurement of the Company’s inventory.

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

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

2. Earnings per Share

Basic net loss per share is computed by dividing the net loss attributable to Gevo common stockholders for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share (“EPS”) includes the dilutive effect of common stock equivalents and is computed using the weighted-average number of common stock and common stock equivalents outstanding during the reporting period. Diluted EPS for the nine months ended September 30, 2017 and 2016 excluded common stock equivalents because the effect of their inclusion would be anti-dilutive, or would decrease the reported loss per share.

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

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

	September 30, 2017	2016
Warrants to purchase common stock - liability classified (see Note 5)	9,952,373	1,467,882
Warrant to purchase common stock - equity classified	1,393	1,393
2017 Notes	-	75,192
2020 Notes	29,316,649	-
2022 Notes	301	6,442
Outstanding options to purchase common stock	76,915	35,756
Unvested restricted common stock	4,276	10,926
Total	39,351,907	1,597,591

3. Inventories

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

	September 30, 2017	December 31, 2016
Raw materials		
Corn	$ 78	$ 108
Enzymes and other inputs	278	309
Nutrients	5	10
Finished goods		
Ethanol	227	72
Isobutanol	1,214	755
Jet Fuels, Isooctane and Isooctene	535	519
Distiller's grains	52	-
Work in process - Agri-Energy	233	274
Work in process - Gevo	246	62
Spare parts	1,463	1,349
Total inventories	$ 4,331	$ 3,458

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

GEVO, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

4. Property, Plant and Equipment

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

	Useful Life	September 30 2017	December 31, 2016
Construction in progress		$ 820	$ 293
Plant machinery and equipment	10 years	16,011	15,397
Site improvements	10 years	7,051	7,050
Luverne retrofit asset	20 years	70,842	70,791
Lab equipment, furniture and fixtures and vehicles	5 years	6,513	6,431
Demonstration plant	2 years	3,597	3,597
Buildings	10 years	2,543	2,543
Computer, office equipment and software	3 years	1,626	1,594
Leasehold improvements, pilot plant, land and support equipment	2 - 5 years	2,537	2,526
Total property, plant and equipment		111,540	110,222
Less accumulated depreciation and amortization		(39,623)	(34,630)
Property, plant and equipment, net		$ 71,917	$ 75,592

Included in cost of goods sold is depreciation of $4.6 million and $4.5 million during the nine months ended September 30, 2017 and 2016, respectively.

Included in operating expenses is depreciation of $0.4 million and $0.6 million during the nine months ended September 30, 2017 and 2016, respectively.

5. Embedded Derivatives and Derivative Warrant Liabilities

2020 Notes Embedded Derivative

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

Embedded derivatives are separated from the host contract and the 2020 Notes, and carried at fair value when: (a) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract; and (b) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument. The Company has concluded that certain embedded derivatives within the 2020 Notes meet these criteria and, as such, must be valued separate and apart from the 2020 Notes as one embedded derivative and recorded at fair value each reporting period.

The Company used a binomial lattice model in order to estimate the fair value of the embedded derivative in the 2020 Notes. A binomial lattice model generates two probable outcomes, whether up or down, arising at each point in time, starting from the date of valuation until the maturity date. A lattice was initially used to determine if the 2020 Notes would be converted by the holder, called by the issuer, or held at each decision point. Within the lattice model, the following assumptions are made: (i) the 2020 Notes will be converted by the holder if the conversion value plus the holder’s Make-Whole Payment is greater than the holding value; or (ii) the 2020 Notes will be called by the issuer if (a) the stock price exceeds 150% of the then in-effect conversion price over a ten-business day period and (b) if the holding value is greater than the conversion value plus the Make-Whole Payment at the time.

Using this lattice model, the Company valued the embedded derivative using a “with-and-without method”, where the value of the 2020 Notes including the embedded derivative is defined as the “with”, and the value of the 2020 Notes excluding the embedded derivative is defined as the “without”. This method estimates the value of the embedded derivative by comparing the difference in the

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Notes to Unaudited Consolidated Financial Statements (Continued)

values between the 2020 Notes with the embedded derivative and the value of the 2020 Notes without the embedded derivative. The lattice model requires the following inputs: (i) price of Gevo common stock; (ii) Conversion Rate (as defined in the 2020 Notes Indenture); (iii) Conversion Price (as defined in the 2020 Notes Indenture); (iv) maturity date; (v) risk-free interest rate; (vi) estimated stock volatility; and (vii) estimated credit spread for the Company.

As of September 30, 2017 the estimated fair value of the embedded derivatives was $6.5 million. Any change in the estimated fair value of the embedded derivatives represents an unrealized gain which has been recorded as $2.2 million and $0.5 million from the change in fair value of embedded derivatives in the consolidated statements of operations for the three and nine months ended September 30, 2017, respectively. The Company recorded the estimated fair value of the embedded derivative with the 2020 Notes, net in the consolidated balance sheets.

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

	September 30, 2017		June 20, 2017 (*)	
Stock price	$0.62		$0.62	
Conversion Rate per $1,000	1,358.90		1,358.90	
Conversion Price	$0.7359		$0.7359	
Maturity date	March 15, 2020		March 15, 2020	
Risk-free interest rate	1.53	%	1.45	%
Estimated stock volatility	80.0	%	80.0	%
Estimated credit spread	28.5	%	26.0	%

* - The June 20, 2017 inputs represent the initial valuation of the 2020 Notes Embedded Derivative instrument that arose due to the exchange of the 2017 Notes for the 2020 Notes.

Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the embedded featured within the 2020 Notes. For example, the estimated fair value will generally decrease with: (1) a decline in the stock price; (2) decreases in the estimated stock volatility; and (3) a decrease in the estimated credit spread.

2022 Notes Embedded Derivative

In July 2012, the Company issued 7.5% convertible senior notes due July 2022 (the “2022 Notes”) which contain the following embedded derivatives: (i) rights to convert into shares of the Company’s common stock, including upon a Fundamental Change (as defined in the indenture governing the 2022 Notes (the “2022 Notes Indenture”)); and (ii) a Coupon Make-Whole Payment (as defined in the 2022 Notes Indenture) in the event of a conversion by the holders of the 2022 Notes prior to July 1, 2017.

Embedded derivatives are separated from the host contract, the 2022 Notes, and carried at fair value when: (a) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract; and (b) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument. The Company has concluded that the embedded derivatives within the 2022 Notes meet these criteria and, as such, must be valued separate and apart from the 2022 Notes as one embedded derivative and recorded at fair value each reporting period.

The Company used a binomial lattice model in order to estimate the fair value of the embedded derivative in the 2022 Notes. A binomial lattice model generates two probable outcomes, whether up or down, arising at each point in time, starting from the date of valuation until the maturity date. A lattice was initially used to determine if the 2022 Notes would be converted, called or held at each decision point. Within the lattice model, the following assumptions are made: (i) the 2022 Notes will be converted early if the conversion value is greater than the holding value; or (ii) the 2022 Notes will be called if the holding value is greater than both (a) the Redemption Price (as defined in the 2022 Notes Indenture) and (b) the conversion value plus the Coupon Make-Whole Payment at the time. If the 2022 Notes are called, then the holders will maximize their value by finding the optimal decision between (1) redeeming at the Redemption Price and (2) converting the 2022 Notes.

Using this binomial lattice model, the Company valued the embedded derivative using a “with-and-without method”, where the value of the 2022 Notes including the embedded derivative is defined as the “with”, and the value of the 2022 Notes excluding the embedded derivative is defined as the “without”. This method estimates the value of the embedded derivative by looking at the difference in the values between the 2022 Notes with the embedded derivative and the value of the 2022 Notes without the embedded derivative. The lattice model requires the following inputs: (i) price of Gevo common stock; (ii) Conversion Rate (as defined in the 2022 Notes Indenture); (iii) Conversion Price (as defined in the 2022 Notes Indenture); (iv) maturity date; (v) risk-free interest rate; (vi) estimated stock volatility; and (vii) estimated credit spread for the Company.

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

Derivative Warrant Liability

The following warrants were sold by the Company (all share totals have been adjusted to reflect reverse stock-splits, if applicable):

- In December 2013, the Company sold warrants to purchase 71,013 shares of the Company's common stock (the "2013 Warrants").
- In August 2014, the Company sold warrants to purchase 50,000 shares of the Company's common stock (the "2014 Warrants").
- In February 2015, the Company sold Series A warrants to purchase 110,833 shares of the Company's common stock (the "Series A Warrants") and Series B warrants to purchase 110,883 shares of the Company's common stock (the "Series B Warrants").
- In May 2015, the Company sold Series C warrants to purchase 21,500 shares of the Company's common stock (the "Series C Warrants").
- In December 2015, the Company sold Series D warrants to purchase 502,500 shares of the Company's common stock (the "Series D Warrants") and Series E warrants to purchase 400,000 shares of the Company's common stock (the "Series E Warrants").
- In April 2016, the Company sold Series F warrants to purchase 514,644 shares of the Company's common stock (the "Series F Warrants") and Series H warrants to purchase 1,029,286 shares of the Company's common stock (the "Series H Warrants"), and pre-funded Series G warrants (the "Series G Warrants") to purchase 328,571 shares of the Company's common stock, pursuant to an underwritten public offering.
- In September 2016, the Company sold Series I warrants to purchase 712,503 shares of the Company's common stock (the "Series I Warrant") and pre-funded Series J warrants ("Series J Warrants") to purchase 185,000 shares of the Company's common stock, pursuant to an underwritten public offering.
- In February 2017, the Company sold Series K warrants to purchase 6,250,000 shares of the Company's common stock (the "Series K Warrants") and Series M warrants to purchase 6,250,000 shares of the Company's common stock (the "Series M Warrants"), and pre-funded Series L warrants (the "Series L Warrants") to purchase 570,000 shares of the Company's common stock, pursuant to an underwritten public offering.

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

	Issuance Date	Expiration Date	Exercise Price as of September 30, 2017		Shares Underlying Warrants on Issuance Date		Shares Issued upon Warrant Exercises as of September 30, 2017	Shares Underlying Warrants Outstanding as of September 30, 2017
2013 Warrants	12/16/2013	12/16/2018	$ 9.03		71,013		15,239	55,774
2014 Warrants	8/5/2014	8/5/2019	$ 6.88		50,000		30,538	19,462
Series A Warrants	2/3/2015	2/3/2020	$ 0.68		110,833		99,416	11,417
Series B Warrants	2/3/2015	8/3/2015	-	(1)	110,833		96,795	-
Series C Warrants	5/19/2015	5/19/2020	$ 5.55		21,500		-	21,500
Series D Warrants	12/11/2015	12/11/2020	$ 2.00		502,500		501,570	930
Series E Warrants	12/11/2015	12/11/2016	-	(1)	400,000		400,000	-
Series F Warrants	4/1/2016	4/1/2021	$ 2.00		514,644		233,857	280,787
Series G Warrants	4/1/2016	4/1/2017	-	(1)	328,571		328,571	-
Series H Warrants	4/1/2016	10/1/2016	-	(1)	1,029,286		900,436	-
Series I Warrants	9/13/2016	9/13/2021	$ 11.00		712,503		-	712,503
Series J Warrants	9/13/2016	9/13/2017	-	(1)	185,000		185,000	-
Series K Warrants	2/17/2017	2/17/2022	$ 0.60		6,250,000		150,000	6,100,000
Series L Warrants	2/17/2017	2/17/2018	-	(1)	570,000		570,000	-
Series M(A) Warrants	2/17/2017	11/17/2017	$ 2.35		2,305,000		-	2,305,000
Series M(B) Warrants	2/17/2017 (2)	11/17/2017	$ 0.60		3,945,000	(2)	3,500,000	445,000
					17,106,683		7,011,422	9,952,373

(1) Warrants have either been fully exercised and/or expired as of September 30, 2017.
(2) In September 2017, 3,945,000 Series M warrants were repriced to $0.60. Of those warrants that were repriced, 3,500,000 were exercised in the third quarter of 2017, providing proceeds of $2.1 million.

The agreements governing the above warrants include the following terms:

- certain warrants have exercise prices which are subject to adjustment for certain events, including the issuance of stock dividends on the Company’s common stock and, in certain instances, the issuance of the Company’s common stock or instruments convertible into the Company’s common stock at a price per share less than the exercise price of the respective warrants;
- warrant holders may exercise the warrants through a cashless exercise if, and only if, the Company does not have an effective registration statement then available for the issuance of the shares of its common stock. If an effective

registration statement is available for the issuance of its common stock a holder may only exercise the warrants through a cash exercise;

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

Based on these terms, the Company has determined that the 2013 Warrants, the 2014 Warrants, the Series A Warrants, the Series C Warrants, the Series D Warrants, the Series F Warrants, the Series I Warrants, the Series K Warrants, and the Series M Warrants (together, the "Warrants") qualify as derivatives and, as such, are presented as derivative warrant liability on the consolidated balance sheets and recorded at fair value each reporting period. The fair value of the Warrants was estimated to be $2.1 million and $2.7 million as of September 30, 2017 and December 31, 2016, respectively. The decrease in the derivative warrant liability is the result of the decline in the Company's stock price.

During the nine months ended September 30, 2017, the Company issued 150,000 shares of common stock as a result of the exercise of Series K Warrants, 570,000 shares of common stock as a result of the exercise of Series L Warrants and 3,500,000 shares of common stock as a result of the exercise of Series M Warrants, resulting in a total proceeds of approximately $2.2 million.

In addition, in September 2017, as permitted by Section 2(a) of the Series M Warrants agreement the Board of Directors of the Company approved a voluntarily reduction of the exercise price of the Series M Warrants exercisable into 3,945,000 shares of the Company's common stock from an exercise price of $2.35 per share of common stock to $0.60 per share of common stock, for the remaining term of these warrants. Except for the reduction in exercise price, the terms of these Series M Warrants remained unchanged. In September 2017, the Company issued 3,500,000 shares of common stock as a result of the exercise of these Series M Warrants. As of September 30, 2017, 445,000 Series M Warrants for which the exercise price had been adjusted to $0.60 remained outstanding. In October 2017, the remaining 445,000 Series M Warrants for which the exercise price had been adjusted to $0.60 were exercised, and the Company issued 445,000 shares of common stock as a result of these exercises.

In October 2017, the Board of Directors of the Company approved voluntarily reductions of the exercise price of additional Series M Warrants exercisable into 1,185,000 shares of the Company's common stock from an exercise price of $2.35 per share of common stock to $0.65 per share of common stock, and Series M Warrants exercisable into 300,000 shares of the Company's common stock from an exercise price of $2.35 per share of common stock to $0.60 per share of common stock. Except for the reduction in exercise price, the terms of these Series M Warrants remained unchanged.

In October 2017, the Company issued 1,930,000 shares of common stock as a result of the exercise of Series M Warrants, for which the price had been reset, and the Company received proceeds of approximately $1.2 million from these exercises. As a result, as of October 31, 2017, all of the Series M Warrants for which the exercise price had been adjusted were fully exercised.

In May 2016, as permitted by Section 2(a) of the Series H Warrant agreement, the Board of Directors of the Company approved a voluntary reduction of the exercise price of Series H Warrants exercisable into 375,000 shares of the Company’s common stock, from an exercise price of $15.00 per share of common stock to $6.00 per share of common stock, for the remaining term of these warrants. Except for the reduction in exercise price, the terms of these Series H Warrants remain unchanged.

In June 2016, as permitted by Section 2(a) of the Series H Warrant agreement, the Board of Directors of the Company approved a voluntary reduction of the exercise price of Series H Warrants exercisable into 150,000 shares of the Company’s common stock, from an exercise price of $15.00 per share of common stock to $8.40 per share of common stock, for the remaining term of these warrants. The Board of Directors of the Company also approved a voluntary reduction of the exercise price of Series H Warrants exercisable into 100,000 shares of the Company’s common stock, from an exercise price of $15.00 per share of common stock to $10.40 per share of common stock, for the remaining term of these warrants. Ultimately, the Company adjusted the exercise price to

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$10.40 per share of common stock for Series H Warrants exercisable into 50,000 shares of the Company's common stock. Except for the reduction in exercise price, the terms of these Series H Warrants remain unchanged.

In June 2016, as permitted by Section 9 of the Series D Warrant agreement, the Company agreed with certain holders of the Series D Warrants to the amend the exercise price and accelerate the initial exercise date for Series D Warrants exercisable into 208,370 shares of the Company's common stock held by such holders. Pursuant to that amendment, with respect to these Series D Warrants held by those holders, the exercise price was increased from an exercise price of $2.00 per share of common stock to $3.50 per share of common stock, for the remaining term of these warrants and the initial exercise date was changed from June 11, 2016 to June 8, 2016. Except for the change in exercise price and the initial exercise date, the terms of these Series D Warrants remained unchanged.

As of September 30, 2017, all of the Series H Warrants and Series D Warrants for which the exercise price had been adjusted were fully exercised.

6. Accounts Payable and Accrued Liabilities

The following table sets forth the components of the Company's accounts payable and accrued liabilities in the consolidated balance sheets (in thousands).

	September 30 2017	December 31, 2016
Accounts payable - trade	$ 1,559	$ 2,611
Accrued legal-related fees	108	626
Accrued employee compensation	1,468	1,385
Accrued interest	437	359
Accrued taxes payable	231	136
Accrued production fees	405	89
Short-term capital lease	-	147
Other accrued liabilities *	921	840
Total accounts payable and accrued liabilities	$ 5,129	$ 6,193

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

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7. Debt

2020 Notes

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

	Principal Amount of 2020 Notes	Debt Discount	Debt Issue Costs	Total 2020 Notes	2020 Notes Embedded Derivative	Total 2020 Notes and 2020 Notes Embedded Derivative
Balance - December 31, 2016	$ -	$ -	$ -	$ -	$ -	$ -
Issuance of 2020 Notes and related discounts and issue costs	$ 16,492	$ (3,009)	$ (792)	$ 12,691	$ 6,975	$ 19,666
Amortization of debt discount	-	265	-	265	-	265
Amortization of debt issue costs	-	-	70	70	-	70
Paid-in-kind interest	82	-	-	82	-	82
Change in fair value of 2020 Notes embedded derivative	-	-	-	-	(522)	(522)
Balance - September 30, 2017	$ 16,574	$ (2,744)	$ (722)	$ 13,108	$ 6,453	$ 19,561

On April 19, 2017, the Company entered into an Exchange and Purchase Agreement (the "Purchase Agreement") with WB Gevo, LTD (the "Holder") the holder of the 2017 Notes, which were issued under that certain Indenture dated as of June 6, 2014, by and among the Company, the guarantors party thereto, and Wilmington Savings Fund Society, FSB, as trustee and as collateral trustee (as supplemented, the "2017 Notes Indenture"), and Whitebox Advisors LLC, in its capacity as representative of the Holder ("Whitebox"). Pursuant to the terms of the Purchase Agreement, the Holder, subject to certain conditions, including approval of the transaction by the Company's stockholders (which was received on June 15, 2017), agreed to exchange all of the outstanding principal amount of the 2017 Notes for an equal principal amount of the 2020 Notes, plus an amount in cash equal to the accrued and unpaid interest (other than interest paid in kind) on the 2017 Notes (the "Exchange"). Pursuant to the Purchase Agreement, the Company also granted the Holder an option (the "Purchase Option") to purchase up to an additional aggregate principal amount of $5.0 million of 2020 Notes (the "Option Notes"), at a purchase price equal to the aggregate principal amount of such Option Notes purchased, having identical terms (other than with respect to the issue date and restrictions on transfer relating to compliance with applicable securities law) to the 2020 Notes issued, at any time on or within ninety (90) days of the closing of the Exchange. The right to purchase Option Notes have expired as of September 30, 2017. On June 20, 2017, the Company completed the Exchange, terminated the 2017 Notes Indenture and cancelled the 2017 Notes. The Company recognized an approximately $4.0 million loss which has been recorded as loss on exchange or conversion of debt within the consolidated statements of operations.

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

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

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

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

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

2017 Notes

In May 2014, the Company entered into a term loan agreement (the “Loan Agreement”) with the lenders party thereto from time to time (each, a “Lender” and collectively, the “Lenders”) and Whitebox Advisors, LLC, as administrative agent for the Lenders (“Whitebox”), with a maturity date of March 15, 2017, pursuant to which the Lenders committed to provide one or more senior secured term loans to the Company in an aggregate amount of up to approximately $31.1 million on the terms and conditions set forth in the Loan Agreement (collectively, the “Term Loan”). The first and only advance of the Term Loan in the amount of $22.8 million, net of discounts and issue costs of $1.6 million and $1.5 million, respectively, was made to the Company in May 2014. Also in May 2014, the Company and its subsidiaries entered into an Exchange and Purchase Agreement (the “Exchange and Purchase Agreement”) with WB Gevo, Ltd. and the other Lenders party thereto from time to time and Whitebox, in its capacity as administrative agent for the Lenders. Pursuant to the terms of the Exchange and Purchase Agreement, the Lenders were given the right, subject to certain conditions, to exchange all or a portion of the outstanding principal amount of the Term Loan for the Company’s 2017 Notes, which were convertible into shares of the Company’s common stock. While outstanding, the Term Loan bore an interest rate equal to 15% per annum, of which 5% was payable in cash and 10% was payable in kind and capitalized and added to the principal amount of the Term Loan.

In June 2014, the Lenders exchanged all $25.9 million of outstanding principal amount of Term Loan for 2017 Notes, together with accrued paid-in-kind interest of $0.2 million. The terms of the 2017 Notes were set forth in an indenture by and among the Company, its subsidiaries in their capacity as guarantors, and Wilmington Savings Fund Society, FSB, as trustee (the “2017 Notes Indenture”).

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

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

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

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The Company elected the fair value option for accounting of the 2017 Notes in order for management to mitigate income statement volatility caused by measurement basis differences between the embedded instruments or to eliminate complexities of applying certain accounting models. Accordingly, the principal amount of 2017 Notes outstanding at December 31, 2016 of $26.1 million was recorded at its estimated fair value of $25.8 million, and is included in the 2017 Notes recorded at fair value on the consolidated balance sheets at December 31, 2016. Debt issuance costs of $1.5 million were expensed at issuance and a gain of $4.2 million has been recognized in subsequent periods in connection with the election of the fair value option. Change in the estimated fair value of the 2017 Notes represents an unrealized gain included in gain (loss) from change in fair value of 2017 Notes in the consolidated statements of operations. The fair value of the 2017 Notes at the issuance date were equal to the net proceeds from the loan. During the nine months ended September 30, 2017 and 2016, the Company incurred cash interest expense of $1.0 and $3.2 million, respectively related to the 2017 Notes.

The following table sets forth the inputs to the lattice model that were used to value the 2017 Notes for which the fair value option was elected. As a result of the June 20, 2017 exchange of the 2017 Notes for the 2020 Notes, there is no longer any value attributed to the 2017 Notes at September 30, 2017.

	December 31, 2016
Stock price	$ 3.40
Conversion Rate per $1,000	2.90
Conversion Price	$ 344.83
Maturity date	March 15, 2017
Risk-free interest rate	0.49 %
Estimated stock volatility	80.0 %
Estimated credit spread	20.0 %

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

	Principal Amount of 2017 Notes	Change in Estimated Fair Value	Total
Balance - December 31, 2016	$26,108	$ (339)	$25,769
Loss from change in fair value of debt	-	339	339

Paydown of principal balance	(9,616)	-	(9,616)
Exchange of 2017 notes for 2020 notes	(16,492)	-	(16,492)
Balance - June 30, 2017	$-	$ -	$-

Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the 2017 Notes. For example, the estimated fair value will generally decrease with: (1) a decline in the stock price; (2) decreases in the estimated stock volatility; and (3) a decrease in the estimated credit spread. The change in the estimated fair value of the 2017 Notes during the nine months ended September 30, 2017, represents an unrealized loss which has been recorded as a loss from change in fair value of 2017 Notes in the consolidated statements of operations.

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Notes to Unaudited Consolidated Financial Statements (Continued)

2022 Notes

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

	Principal Amount of 2022 Notes	Debt Discount	Debt Issue Costs	Total
Balance - December 31, 2016	$ 9,575	$ (1,307)	$ (47)	$ 8,221
Amortization of debt discount	-	149		149
Amortization of debt issue costs	-	-	$ 6	6
Exchange of 2022 Notes	(9,060)	-	$ -	(9,060)
Write-off of debt discount and debt issue costs associated with extinguishment of debt		1,158	$ 41	1,199
Balance - September 30, 2017	$ 515	$ -	$ -	$ 515

In July 2012, the Company sold $45.0 million in aggregate principal amount of 2022 Notes, for net proceeds of $40.9 million, after accounting for $2.7 million and $1.4 million of discounts and issue costs, respectively. The 2022 Notes bear interest at 7.5% which is to be paid semi-annually in arrears on January 1 and July 1 of each year. The 2022 Notes will mature on July 1, 2022, unless earlier repurchased, redeemed or converted. During the nine-months ended September 30, 2017 and 2016, the Company recorded $0.2 million and $3.3 million, respectively, of expense related to the amortization of debt discounts and issue costs, $1.2 million and 2.5 million, respectively, of expense related to the exchange of debt; and $0.03 million and $1.0 million, respectively, of interest expense related to the 2022 Notes. The amortization of debt issue costs, debt discounts and cash interest are included as a component of interest expense in the consolidated statements of operations. The Company amortizes debt discounts and debt issue costs associated with the 2022 Notes using an effective interest rate of 40% from the issuance date through July 1, 2017, a five-year period, which represents the date the holders can require the Company to repurchase the 2022 Notes.

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

If a holder elects to convert its 2022 Notes prior to July 1, 2017, such holder shall be entitled to receive, in addition to the consideration upon conversion, a Coupon Make-Whole Payment. The Coupon Make-Whole Payment is equal to the sum of the present values of the number of semi-annual interest payments that would have been payable on the 2022 Notes that a holder has elected to convert from the last day through which interest was paid up to but excluding

July 1, 2017, computed using a discount rate of 2%. The Company may pay any Coupon Make-Whole Payment either in cash or in shares of common stock at its election. If the Company elects to pay in common stock, the stock will be valued at 90% of the average of the daily volume weighted average prices of the Company's common stock for the 10 trading days preceding the date of conversion. Prior to 2016, the Company converted $20.1 million in outstanding 2022 Notes in return for 28,978 shares of the Company's common stock, of which, 7,331 represented amounts owed under the Coupon Make-Whole Payment. Additionally, the Company issued 55,392 shares in exchange for the redemption of $2.5 million of the 2022 Notes.

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

If a Make-Whole Fundamental Change (as defined in the 2022 Notes Indenture) occurs and a holder elects to convert its 2022 Notes prior to July 1, 2017, the conversion rate will increase based upon reference to the table set forth in Schedule A of the Indenture. In no event will the conversion rate increase to more than 0.6734 per $1,000 principal amount of 2022 Notes.

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Notes to Unaudited Consolidated Financial Statements (Continued)

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

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

If there is an Event of Default (as defined in the 2022 Notes Indenture) under the 2022 Notes, the holders of not less than 25% in principal amount of the outstanding notes by notice to the Company and the trustee may, and the trustee at the request of such holders shall, declare the principal amount of all the outstanding 2022 Notes and accrued and unpaid interest thereon to be due and payable immediately. There have been no Events of Default as of September 30, 2017.

8. Gevo Development

The Company made capital contributions to Gevo Development of $7.2 million and $12.3 million, respectively, during the nine months ended September 30, 2017 and the year ended December 31, 2016.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Gevo Development Net Loss	$(2,552)	$(3,419)	$ (9,730)	$ (9,939)

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

9. Stock-Based Compensation

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

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Notes to Unaudited Consolidated Financial Statements (Continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Stock options and employee stock purchase plan awards				
Research and development	$ 9	$ 15	$ 28	$ 56
Selling, general and administrative	30	94	91	294
Restricted stock awards				
Research and development	-	20	12	101
Selling, general and administrative	-	26	17	122
Restricted stock units				
Research and development	18	13	53	27
Selling, general and administrative	41	102	122	212
Total stock-based compensation	$ 98	$ 270	$ 323	$ 812

10. Commitments and Contingencies

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

Leases. During the year ended December 31, 2012, the Company entered into a six-year software license agreement. The Company concluded that the software license agreement qualified as a capital lease. Accordingly, at September 30, 2017 and December 31, 2016, the Company had capital lease liabilities of $0 million and $0.1 million, respectively, included in accounts payable and accrued liabilities and other long-term liabilities on its consolidated balance sheets.

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

Rent expense for the three and nine months ended September 30, 2017 and September 30, 2016 was $0.4 million and $1.2 million, respectively.

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

	Operating Leases
2017 (remaining)	367
2018	1,421
2019	907
2020	394
2021	201
Total	$ 3,290

Indemnifications. In the ordinary course of its business, the Company makes certain indemnities under which it may be required to make payments in relation to certain transactions. As of September 30, 2017 and December 31, 2016, the Company did not have any liabilities associated with indemnities.

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

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

Environmental Liabilities. The Company’s operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which it operates. These laws require the Company to investigate and remediate the effects of the release or disposal of materials at its locations. Accordingly, the Company has adopted policies, practices and procedures in the areas of pollution control, occupational health and the production, handling, storage and use of hazardous materials to prevent material environmental or other damage, and to limit the financial liability which could result from such events. Environmental liabilities are recorded when the Company’s liability is probable and the costs can be reasonably estimated. No environmental liabilities have been recorded as of September 30, 2017 or December 31, 2016.

11. Fair Value Measurements

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

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

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

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

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Notes to Unaudited Consolidated Financial Statements (Continued)

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

		Fair Value Measurements at September 30, 2017 (In thousands)		
	Fair Value at September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring:				
Derivative Warrant Liability	$ 2,139	$-	$ -	$ 2,139
2020 Embedded Derivative Liability	6,453	-	-	6,453
Total Recurring Fair Value Measurements	$ 8,592	$-	$ -	$ 8,592
Nonrecurring				
Corn and finished goods inventory	2,042	78	1,964	$ -
Total Non-Recurring Fair Value Measurements	$ 2,042	$78	$ 1,964	$ -

		Fair Value Measurements at December 31, 2016 (In thousands)		
	Fair Value at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring:				
Derivative Warrant Liability	$ 2,698	$-	$ 1,884	$ 814
2017 Notes	25,769	-	-	25,769
Total Recurring Fair Value Measurements	$ 28,467	$-	$ 1,884	$ 26,583

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

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Notes to Unaudited Consolidated Financial Statements (Continued)

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (in thousands)		
	Derivative Warrant Liability	2017 Notes	2020 Notes Embedded Derivative
Opening Balance	$ 814	$ 25,769	$ -
Transfers into Level 3	1,884	-	-
Transfers out of Level 3	-	-	-
Total (gains) or losses for the period			
Included in earnings	(5,106)	339	(522)
Included in other comprehensive income	-	-	-
Purchases, issues, sales and settlements			
Purchases	-	-	-
Issues	5,670	-	6,975
Sales	-	-	-
Settlements	(1,123)	(26,108)	-
Closing balance	$ 2,139	$ -	$ 6,453

Inventories. The Company records its corn inventory at fair value only when the Company's cost of corn purchased exceeds the market value for corn. The Company determines the market value of corn and dry distiller's grain based upon Level 1 inputs using quoted market prices. The Company records its ethanol, isobutanol and hydrocarbon inventory at market using Level 2 inputs.

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

2020 Notes. The Company has estimated the fair value of the 2020 Notes to be $13.5 million at June 20, 2017, the date the Company exchanged the 2017 Notes for the 2020 Notes, utilizing a binomial lattice model. The Company has elected to account for the 2020 Notes using the amortized cost method and reported at $13.1 million, net of debt discount and issuance costs at September 30, 2017.

2020 Notes Embedded Derivative. The Company had estimated the fair value of the embedded derivative on a stand-alone basis to be $6.5 million at September 30, 2017 based upon Level 3 inputs. See Note 5, Embedded Derivatives and Derivative Warrant Liabilities, for the fair value inputs used to estimate the fair value of the 2020 Notes with and without the embedded derivative and the fair value of the embedded derivative.

2022 Notes Embedded Derivative. The Company had estimated the fair value of the embedded derivative on a stand-alone basis to be $0 million at September 30, 2017 and December 31, 2016, respectively, based upon Level 3 inputs. See Note 5, Embedded Derivatives and Derivative Warrant Liabilities, for the fair value inputs used to estimate the fair value of the 2022 Notes with and without the embedded derivative and the fair value of the embedded derivative.

Derivative Warrant Liability. Prior to 2017, the Company estimated the fair value of the Series A, Series F and Series K warrants using a Monte-Carlo model (Level 3). For all other warrants the Company valued these using a standard Black-Scholes model (Level 2). However, beginning in the first quarter 2017, the Company valued the Series F and K using a Monte-Carlo model (Level 3) and other warrants using Black-Scholes models comprised of some inputs requiring the use of Monte-Carlo models (Level 3). During the third quarter of 2017, only the Series K warrants were valued using a Monte-Carlo model. The Company has estimated the fair value of the derivative warrant liability to be $2.1 million as of September 30, 2017.

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.

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Notes to Unaudited Consolidated Financial Statements (Continued)

12. Segments

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Gevo	$ 279	$ 537	$ 1,028	$ 1,958
Gevo Development / Agri-Energy	7,420	6,407	19,828	19,419
Consolidated	$ 7,699	$ 6,944	$ 20,856	$ 21,377
Loss from operations:				
Gevo	$ (2,561)	$ (2,732)	$ (8,718)	$ (7,596)
Gevo Development / Agri-Energy	(2,552)	(3,403)	(9,756)	(9,896)
Consolidated	$ (5,113)	$ (6,135)	$ (18,474)	$ (17,492)
Interest expense:				
Gevo	$ 811	$ 2,084	$ 2,152	$ 6,449
Gevo Development / Agri-Energy	-	16	-	48
Consolidated	$ 811	$ 2,100	$ 2,152	$ 6,497
Depreciation expense:				
Gevo	$ 111	$ 255	$ 375	$ 588
Gevo Development / Agri-Energy	1,542	1,503	4,619	4,450

Consolidated	$ 1,653	$ 1,758	$4,994	$5,038
Acquisitions of plant, property and equipment:				
Gevo	$ 2	$ 168	$111	$260
Gevo Development / Agri-Energy	324	507	1,206	5,260
Consolidated	$ 326	$ 675	$1,317	$5,520

	September 30, 2017	December 31, 2016
Total assets:		
Gevo		