Global Clean Energy Holdings, Inc.
Form 10-Q
December 03, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2014

OR

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

Commission file number 0-12627

Global Clean Energy Holdings, Inc.
Exact name of registrant as specified in its charter)

DELAWARE	87-0407858
State or other jurisdiction of incorporation	(IRS Employer Identification No.)

2790 Skypark Drive, Suite 105
Torrance, California 90505
(Address of principal executive offices)
(310) 641-4234

Former Name or Former Address, if Changed Since Last Report

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated	o	Non-accelerated	o

filer		filer	
Accelerated Filer	o	Smaller reporting company	x

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of December 2, 2014, the issuer had 339,187,545 shares of common stock issued and outstanding.

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

PART I

ITEM 1. FINANCIAL STATEMENTS.

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$265,313	$216,531
Accounts receivable	34,593	38,559
Inventory	38,692	37,296
Other current assets	202,126	157,469
Total Current Assets	540,724	449,855
PROPERTY AND EQUIPMENT, NET	15,634,726	15,495,781
INTANGIBLE ASSETS, NET	3,915,784	3,972,950
OTHER NONCURRENT ASSETS	6,148	7,021
TOTAL ASSETS	$20,097,382	$19,925,607
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$3,725,806	$3,807,646
Accrued payroll and payroll taxes	1,190,378	1,170,223
Capital lease liability - current portion	818	818
Notes payable - current portion	1,363,736	1,376,000
Convertible notes payable	697,000	567,000
Total Current Liabilities	6,977,738	6,921,687
LONG-TERM LIABILITIES		
Accrued interest payable	3,411,860	3,154,826

Accrued return on noncontrolling interest	8,086,402	7,442,730
Notes payable - long term portion	-	-
Mortgage notes payable	5,110,189	5,110,189
Total Long Term Liabilities	16,608,451	15,707,745
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock - $0.001 par value; 50,000,000 shares authorized Series B, convertible; 13,000 shares issued (aggregate liquidation preference of $1,300,000)	13	13
Common stock, $0.001 par value; 500,000,000 shares authorized; 339,187,545 issued and outstanding	339,187	339,187
Additional paid-in capital	25,644,337	25,600,050
Accumulated deficit	(28,667,341)	(28,338,875)
Accumulated other comprehensive loss	9,946	(63,020)
Total Global Clean Energy Holdings, Inc. Stockholders' Deficit	(2,673,858)	(2,462,645)
Noncontrolling interests	(814,949)	(241,180)
Total equity	(3,488,807)	(2,703,825)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$20,097,382	$19,925,607

The accompanying notes are an integral part of these condensed unaudited consolidated financial statements

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the three months Ended March 31, 2014	2013
Revenue	$78,810	$88,480
Subsidy Income	-	17,147
Total Revenue	78,810	105,627
Operating Expenses		
General and administrative	492,356	560,139
Plantation operating costs	27,731	570,156
Total Operating Expenses	520,087	1,130,295
Loss from Operations	(441,277)	(1,024,668)
Other Income (Expenses)		
Other income	7	19
Interest expense	(257,033)	(216,755)
Foreign currency transaction gain (loss)	85	-
Net Other Income (Expenses)	(256,941)	(216,736)
Net Loss	(698,218)	(1,241,404)
Less Net Loss Attributable to the Noncontrolling Interest	(369,752)	(1,002,886)
Net Loss Attributable to Global Clean Energy Holdings, Inc.	$(328,466)	$(238,518)
Amounts attributable to Global Clean Energy Holdings, Inc. common shareholders:		
Net Loss	$(328,466)	$(238,518)
Basic Loss per Common Share:		
Net Loss per Common Share	$(0.0010)	$(0.0008)
Basic Weighted-Average Common Shares Outstanding	339,187,545	301,683,502
Diluted Income (Loss) per Common Share:		
Net Income (Loss) per Common Share	$(0.0010)	$(0.0008)
Diluted Weighted-Average Common Shares Outstanding	339,187,545	301,683,502

The accompanying notes are an integral part of these condensed unaudited consolidated financial statements

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the three months ended March 31, 2014	2013
Operating Activities		
Net loss	$ (698,218)	$ (1,241,404)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign currency transaction gain	(85)	-
Gain on settlement of liabilities	-	-
Share-based compensation	44,287	107,115
Write down of deferred growing cost	-	6,556
Write down of long lived assets	-	15,000
Write down of inventory	-	-
Loss on sale of investment held for sale	-	-
Depreciation and amortization	128,726	67,496
Changes in operating assets and liabilities:		
Accounts receivable	4,751	(25,400)
Inventory	(1,357)	(112)
Other current assets	(25,824)	(28,323)
Deferred growing costs	-	-
Accounts payable and accrued expenses	216,153	379,219
Deferred revenue	-	-
Other noncurrent assets	42,204	(5,535)
Net Cash Used in Operating Activities	(289,363)	(725,387)
Investing Activities		
Plantation development costs	(207,131)	(552,979)
Purchase of property and equipment	-	(2,608)
Disposal of property and equipment	-	-
Proceeds from sale of property and equipment	-	13,737
Net Cash Used in Investing Activities	(207,131)	(541,850)
Financing Activities		
Proceeds from issuance of common stock	-	-
Proceeds from exercise of options and warrants	-	-
Proceeds from issuance of preferred membership in GCE Mexico I, LLC	432,137	819,384

Proceeds from notes payable		130,000		-
Payments on capital leases and notes payable		(12,264)		(14,013)
Net Cash Provided by Financing Activities		549,873		805,371
Effect of exchange rate changes on cash		(4,597)		34,745
Net change in Cash and Cash Equivalents		48,782		(427,121)
Cash and Cash Equivalents at Beginning of Period		216,531		941,579
Cash and Cash Equivalents at End of Period	$	265,313	$	514,458
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	$	-	$	1,282
Noncash Investing and Financing activities:				
Accrual of return on noncontrolling interest	$	643,672	$	604,670
Acquisitions:				
Intangible assets and equipment acquired	$	-	$	4,077,765
Inventory acquired		-		430,141
Other current assets assumed		-		260
Other current liabilities assumed		-		(2,408,066)
Net assets acquired	$	-	$	2,100,100
Notes payable issued			$	(1,300,000)
Common stock issued			$	(800,000)

The accompanying notes are an integral part of these condensed unaudited consolidated financial statements

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	For the Three Months Ended March 31, 2014	For the Three Months Ended March 31, 2013
Net Loss	$(698,218)	$(1,241,404)
Other comprehensive income (loss)- foreign currency translation adjustment	80,484	888,584
Comprehensive Loss	(617,734)	(352,820)
Add net loss attributable to the noncontrolling interest	369,752	1,002,886
Add other comprehensive loss (income) attributable to noncontrolling interest	(7,518)	(879,010)
Comprehensive Loss Attributable to Global Clean Energy Holdings, Inc.	$(255,500)	$(228,944)

The accompanying notes are an integral part of these condensed unaudited consolidated financial statements

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

This summary of significant accounting policies is presented to assists the reader in understanding and evaluating the Company's financial statements. The financial statements and notes are the representations of the Company's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Note 1 – History and Basis of Presentation

History

Global Clean Energy Holdings, Inc.(the "Company") is a U.S.-based, multi-national, energy agri-business focused on the development of non-food based bio-feedstocks.

The Company was originally incorporated under the laws of the State of Utah on November 20, 1991. On July 19, 2010, the reincorporation of the company from a Utah corporation to a Delaware corporation was completed, as approved by shareholders.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Global Clean Energy Holdings, Inc., its subsidiaries, and the variable interest entities of GCE Mexico I, LLC a Delaware limited liability company ("GCE Mexico"), and its Mexican subsidiaries (Asideros, Asideros 2 and Asideros 3). The financial statements include the newly acquired Sustainable Oils, LLC, a wholly owned subsidiary, from the acquisition date of March 13, 2013. All significant intercompany transactions have been eliminated in consolidation.

Generally accepted accounting principles require that if an entity is the primary beneficiary of a variable interest entity (VIE), the entity should consolidate the assets, liabilities and results of operations of the VIE in its consolidated financial statements. Global Clean Energy Holdings, Inc. considers itself to be the primary beneficiary of GCE Mexico, and it's Mexican subsidiaries, and accordingly, has consolidated these entities since their formation beginning in April 2008, with the equity interests of the unaffiliated investors in GCE Mexico presented as Noncontrolling Interests in the accompanying condensed consolidated financial statements.

Under ASC 810-10 the Primary Beneficiary is the party that has both of the following:

1. The power to make decisions regarding the activities that most significantly impact the success of the VIE, and

2. The obligation to absorb losses or rights to receive benefits of the entity that could potentially be significant to the VIE.

When multiple parties make decisions over different activities of the entity, only the party with power to direct the activities that most significantly impacts the entity's economic performance will have satisfied the first condition. Global Clean Energy Holdings, Inc. exercises complete operational control over GCE Mexico and its subsidiaries, as these rights were specifically granted to Global Clean Energy Holdings, Inc. under the GCE Mexico's Operating Agreement (the "LLC Agreement").

Global Clean Energy Holdings, Inc. satisfies the second condition because as owner of a 50% profits interest, Global Clean Energy Holdings, Inc. is expected to receive the benefits or the largest amounts of profits and cash distributions allocated by GCE Mexico. GCEH ownes 1% of Asideros 1, Asideros 2 and Asideros 3, and the balance is owned by GCE Mexico. Accordingly, we own 50.5% of Asideros 1, Asideros 2 and Asideros 3 either directly or through our common membership interest in GCE Mexico. The partners' right to receive a preferred return on their investment does not qualify as a "right to receive residual returns" of GCE Mexico.

The guidance also states that "in a multi-tiered legal-entity structure, a reporting entity should generally begin its evaluation at the lowest-level entity. Each entity within the structure should then be evaluated on a consolidated basis. The attributes and variable interests of the underlying consolidated entities become those of the parent company upon consolidation".

GCE Mexico holds, directly, 99% of the voting interest in the subsidiaries pursuant to the Agency Agreement. GCEH's rights as Manager of GCE Mexico and as the sole Director of the subsidiaries enables GCEH to conclude that these powers, together with the 50% membership interest in GCE Mexico, gives Global Clean Energy Holdings, Inc. a controlling financial interest and therefore is the primary beneficiary.

GCE MEXICO I, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2014 (unaudited)	December 31, 2013
CURRENT ASSETS	339,900	363,358
PROPERTY AND EQUIPMENT, NET	14,911,720	14,955,982
OTHER NONCURRENT ASSETS	3,522	3,522
TOTAL ASSETS	$15,255,142	$15,322,862
CURRENT LIABILITIES	378,438	1,008,651
LONG-TERM LIABILITIES	16,297,060	15,620,765
TOTAL LIABILITIES	$16,675,498	$16,629,416

The accompanying notes are an integral part of these condensed unaudited consolidated financial statements

In March 2013, the Company acquired 100% of all of the outstanding membership interests of Sustainable Oils, LLC, a Delaware limited liability company. Accordingly, the consolidated financial statements for periods after that acquisition include the assets, liabilities and results of operations of that entity.

Unaudited Interim Condensed Consolidated Financial Statements

The accompanying (a) condensed consolidated Balance Sheet at December 31, 2013 has been derived from audited statements and (b) unaudited condensed consolidated financial statements as of March 31, 2014 and 2013 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these financial statements have been included and are of normal, recurring nature. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K For the year ended December 31, 2013, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2014, may not be indicative of the results that may be expected for the year ending December 31, 2014.

Accounting for Agricultural Operations

All costs incurred until the actual planting of the Jatropha Curcas plant are capitalized as plantation development costs, and are included in “Property and Equipment” on the balance sheet. Plantation development costs are being accumulated in the balance sheet during the development period and are accounted for in accordance with accounting standards for Agricultural Producers and Agricultural Cooperatives. The direct costs associated with each farm and the production of the Jatropha revenue streams have been deferred and accumulated as a noncurrent asset, "Deferred Growing Costs", on the balance sheet. These costs will be recognized as a Cost of Good Sold in the period the revenue is recognized. Other general costs without expected future benefits are expensed when incurred.

Inventory

The Company uses the FIFO valuation method for its inventories, which consist almost entirely of finished goods. The Company records no inventories above their acquisition costs. There were no losses related to the valuation of inventory during the three months ended March 31, 2014.

Income/Loss per Common Share

Income/Loss per share amounts are computed by dividing income or loss applicable to the common shareholders of the Company by the weighted-average number of common shares outstanding during each period. Diluted income or loss per share amounts are computed assuming the issuance of common stock for potentially dilutive common stock equivalents. The number of dilutive warrants and options is computed using the treasury stock method, whereby the dilutive effect is reduced by the number of treasury shares the Company could purchase with the proceeds from exercises of warrants and options.

	For the three months ended March 31,	
	2014	2013
Net Income (loss)	$ (328,466)	$ (238,518)
Basic Weighted-Average Common Shares Outstanding	339,187,545	301,683,502
Effect of dilutive securities		
Convertible preferred stock - Series B	-	-
Warrants	-	-
Options	-	-
Diluted Weighted-Average Common Shares Outstanding	339,187,545	301,683,502
Basic Income (loss) Per Common Share		
Net Income (loss)	(0.0010)	(0.0008)
Diluted Income (loss) Per Common Share		
Net Income (loss)	(0.0010)	(0.0008)

The following instruments are currently antidilutive and have been excluded from the calculations of diluted income or loss per share at March 31, 2014, as follows:

	March 31,	
	2014	2013
Convertible notes	18,900,000	18,900,000
Convertible preferred stock - Series B	11,818,181	11,818,181
Warrants	3,083,332	24,585,662

Compensation-based stock options	72,645,311	69,208,483
	106,446,824	124,512,326

Revenue Recognition

Revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; collectability is reasonably assured; and title and the risks and rewards of ownership have transferred to the buyer. Value added taxes collected on revenue transactions are excluded from revenue and are included in accounts payable until remittance to the taxation authority.

Jatropha and Camelina biofuel revenue - The Company's long-term primary source of revenue currently is expected to be crude Jatropha oil. Revenue will be recognized net of sales or value added taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognized when there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. For the three months ended March 31, 2014, the Company had no material Jatropha or Camelina biofuel revenue.

Advisory services revenue - The Company provides development and management services to other companies regarding their bio-fuels and/or feedstock-Jatropha development operations, on a fee for services basis. The advisory services revenue is recognized upon completion of the work in accordance with each advisory contract.

Agricultural subsidies revenue - the Company receives agricultural subsidies from the Mexican government to supplement the farm development and planting of new trees. Due to the uncertainty of these payments, the revenue is recognized when the payments are received. We recognize these funds as revenue due to these payments being disbursed to supplement the Company's income and not as direct payments for any specified farming expense. For the three months ended March 31, 2014, the Company had no subsidies revenue.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for accounts receivable and payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts reported for the various notes payable and the mortgage notes payable approximate fair value because the underlying instruments are at interest rates which approximate current market rates. See note 10 for additional information regarding assets measured at fair value on a nonrecurring basis.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include a) those assumed in determining the valuation of common stock, warrants, and stock options, b) estimated useful lives of plantation equipment and plantation development costs, and c) undiscounted future cash flows for purpose of evaluating possible impairment of long-term assets. It is at least reasonably possible that the significant estimates used will change within the next year.

Foreign Currency

During 2014, the Company had operations located in the United States, Mexico and Dominican Republic. For these foreign operations, the functional currency is the local country's currency. Consequently, revenues and expenses of operations outside the United States of America are translated into U.S. dollars using weighted average exchange rates, while assets and liabilities of operations outside the United States of America are translated into U.S. dollars using exchange rates at the balance sheet date. The effects of foreign currency translation adjustments are included in equity (deficit) as a component of accumulated other comprehensive loss in the accompanying consolidated financial statements. Foreign currency transaction adjustments are included in other income (expense) in the Company's results of operations.

The Company has not entered into derivative instruments to offset the impact of foreign currency fluctuations.

Stock Based Compensation

The Company recognizes compensation expense for stock-based awards expected to vest on a straight-line basis over the requisite service period of the award based on their grant date fair value. The Company estimates the fair value of stock options using a Black-Scholes option pricing model which requires management to make estimates for certain assumptions regarding risk-free interest rate, expected life of options, expected volatility of stock and expected dividend yield of stock.

Comprehensive Income

In June 2011, the FASB issued authoritative guidance requiring entities to report components of other comprehensive income in either a single continuous statement or in two separate, but consecutive statements of net income and other comprehensive income. The company has included a consolidated statement of comprehensive income for the three months ended March 31, 2014 and 2013.

New Account Guidelines

The Company has reviewed all the recent accounting pronouncements issued to date of the issuance of these consolidated financial statements, and does not believe any of these pronouncements will have a material impact on the Company’s consolidated financial statements.

Note 2 – Going Concern Considerations

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying consolidated financial statements, the Company incurred losses from operations applicable to its common shareholders of $328,466 and $238,518 for the three months ended March 31, 2014, and 2013, respectively, and has an accumulated deficit applicable to its common shareholders of $28,667,341 at March 31, 2014. The Company also used cash in operating activities of $289,363 and $725,387 during the three months ended March 31, 2014 and 2013, respectively. At March 31, 2014, the Company has negative working capital of $6,437,014 and a stockholders’ deficit attributable to its stockholders of $28,667,341. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

The Company commenced its new business related to the cultivation and production of oil from the seed of the Jatropha plant in September 2007. Management plans to meet its cash needs through various means including securing financing, entering into joint ventures, and developing the current business model. In order to fund its operations, the Company has to date received $21,591,528 in capital contributions from the preferred membership interest in GCE Mexico I, LLC (“GCE Mexico”), has issued mortgages in the total amount of $5,110,189 for the acquisition of land. The Company is developing the new business operation to participate in the rapidly growing bio-diesel industry. While the Company expects to be successful in this new venture, there is no assurance that its business plan will be economically viable. The ability of the Company to continue as a going concern is dependent on that plan’s success. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 3 – Jatropha Business Venture

The Company entered into the bio-fuels business in 2007 by acquiring certain trade secrets, know-how, business plans, term sheets, business relationships, and other information relating to the cultivation and production of seed oil from the Jatropha plant for the production of bio-diesel, and by entering into certain employment agreements and property management agreements. Subsequent to entering into these transactions, the Company acquired certain real property in Mexico it believed to be suitable for cultivating the Jatropha plant. During 2008, GCE Mexico's subsidiary acquired the land in Mexico for the cultivation of the Jatropha plant. In July 2009, the Company acquired Technology Alternatives, Limited ("TAL"), a company formed under the laws of Belize that had developed a farm in Belize for cultivation of the Jatropha plant and provided technical advisory services for the propagation of the Jatropha plant. In March 2010, the Company formed Asideros 2, a Mexican corporation, which has acquired additional land in Mexico adjacent to the land acquired by Asideros 1. In October 2011, the Company formed Asideros 3, a Mexican Corporation, which has acquired land in Mexico close to the land acquired by Asideros 1 and Asideros 2. All of these transactions are described in further detail in the remainder of the notes.

GCE Mexico I, LLC and Subsidiaries

GCE Mexico was organized primarily to facilitate the acquisition of the initial 5,000 acres of farm land (the Jatropha Farm) in the State of Yucatan in Mexico to be used primarily for the (i) cultivation of Jatropha curcas, (ii) the marketing and sale of the resulting fruit, seeds, or pre-processed crude Jatropha oil, whether as biodiesel, feedstock, biomass or otherwise, and (iii) the sale of carbon value, green fuel value, or renewable energy credit value (and other similar environmental attributes) derived from activities at the Jatropha Farm.

Under GCE Mexico's operating agreement, as amended (the "LLC Agreement"), the Company owns 50% of the issued and outstanding common membership units of GCE Mexico. The remaining 50% of the common membership units was initially issued to five investors. The Company and the other owners of the common membership interest were not required to make capital contributions to GCE Mexico.

In addition, two investors agreed to invest in GCE Mexico through the purchase of preferred membership units and through the funding of the purchase of land in Mexico. An aggregate of 1,000 preferred membership units were issued to these two investors who each agreed to make capital contributions to GCE Mexico in installments and as required, fund the development and operations of the Jatropha Farm. In November 2012, one of the two investors transferred 100% of the interest to the other investor. The preferred members have made capital contributions of \$432,137 and \$819,384 during the three months ended March 31, 2014 and 2013, respectively, and total contributions of \$21,591,528 have been received by GCE Mexico from these investors since the execution of the LLC Agreement. The LLC Agreement calls for additional contributions from the investors, as requested by management and as required by the operation in 2013 and the following years. The holder of the preferred membership interest is entitled to earn a preferential 12% per annum cumulative compounded return on the cumulative balance of the preferred membership interest. The preferential return increased by \$643,672, and \$604,670 during the three months ended March 31, 2014 and 2013, respectively, and totals \$8,086,402 at March 31, 2014.

The net income or loss of the three Mexican subsidiaries that own the Mexico farms is allocated to the shareholders based on their respective equity ownership; 99% of the equity of each subsidiary is owned by GCE Mexico and 1% is owned by the Company. GCE Mexico has no operations separate from its investments in the Mexican subsidiaries. According to the LLC Agreement of GCE Mexico, the net loss of GCE Mexico is allocated to its members according to their respective investment balances. Accordingly, since the

common membership interest did not make a capital contribution, all of the losses have been allocated to the preferred membership interest. The noncontrolling interest presented in the accompanying consolidated balance sheets includes the carrying value of the preferred membership interests and of the common membership interests owned by the Investors, and excludes any common membership interest in GCE Mexico held by the Company.

Note 4 – Property and Equipment

Property and equipment are as follows:

	March 31, 2014	December 31, 2013
Land	$4,512,147	$4,512,630
Plantation development costs	10,523,633	$10,311,286
Plantation equipment	1,510,723	$1,510,878
Office equipment	299,748	$299,755
Total cost	16,846,251	16,634,550
Less accumulated depreciation	(1,211,525)	(1,138,769)
Property and equipment, net	$15,634,726	$15,495,780

Commencing in June 2008, Asideros I purchased certain equipment for purposes of rapidly clearing the land, preparing the land for planting, and actually planting the Jatropha trees. The Company has capitalized farming equipment and costs related to the development of land for farm use in accordance with generally accepted accounting principles for accounting by agricultural producers and agricultural cooperatives. Plantation equipment is depreciated using the straight-line method over estimated useful lives of 5 to 15 years. Depreciation expense has been capitalized as part of plantation development costs through the date that the plantation becomes commercially productive. The initial plantations were deemed to be commercially productive on October 1, 2009, at which date the Company commenced the depreciation of plantation development costs over estimated useful lives of 10 to 35 years, depending on the nature of the development. Developments and other improvements with indefinite lives are capitalized and not depreciated. Other developments that have a limited life and intermediate-life plants that have growth and production cycles of more than one year are being depreciated over their useful lives once they are placed in service. The land, plantation development costs, and plantation equipment are located in Mexico.

Note 5 – Intangible Assets

In March 2013, the Company purchased certain intangible assets related to the commercial production of Camelina. See further discussion on acquisition in Note 9. The intangible assets include three patents and the related intellectual property associated with these patents. These intangible assets acquired have an expected useful life of 17 years and are carried at cost less any accumulated amortization and any impairment losses.

Amortization is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives of 17 years. Any future costs associated with the maintenance of these patents with indefinite lives will be capitalized and not amortized. The Intangible Assets as of March 31, 2014 and December 31, 2013 is shown in the following table:

	March 31, 2014	December 31, 2013
Intangible Assets	4,168,841	$4,168,841
Less accumulated amortization	(253,057)	(195,892)
Intangible Assets, net	$3,915,784	$3,972,949

Note 6 – Debt

Notes Payable to Shareholders

Included in notes payable on the accompanying consolidated balance sheet, the Company has notes payable to certain shareholders in the aggregate amount of $26,000 at March 31, 2014 and 2013. The notes originated in 1999, bear interest at 12%, are unsecured, and are currently in default. Accrued interest on the notes totaled $53,410 and $49,540, respectively at March 31, 2014 and 2013, respectively.

Convertible Notes Payable

In March 2010, the Company entered into a securities purchase agreement with the preferred members of GCE Mexico pursuant to which the Company issued senior unsecured convertible promissory notes in the original aggregate principal amount of $567,000 and warrants to acquire an aggregate of 1,890,000 shares of the Company's common stock. The Convertible Notes mature on the earlier of (i) March 16, 2012, or (ii) upon written demand of payment by the note holders following the Company's default thereunder. The maturity date of the Convertible Notes have been extended until March 15, 2015. Interest accrues on the convertible notes at a rate of 5.97% per annum, and is payable quarterly in cash, in arrears, on each year anniversary of the issuance of the convertible notes. The Company may at its option, in lieu of paying interest in cash, pay interest by delivering a number of unregistered shares of its common stock equal to the quotient obtained by dividing the amount of such interest by the arithmetic average of the volume weighted average price for each of the five consecutive trading days immediately preceding the interest payment date. At any time following the first anniversary of the issuance of the Convertible Notes, at the option of the note holders, the outstanding balance thereof (including unpaid interest) may be converted into shares of the Company's common stock at a conversion price equal to $0.03. The conversion price may be adjusted in connection with stock splits, stock dividends and similar events affecting the Company's capital stock. The convertible notes rank senior to all other indebtedness of the Company, and thereafter will remain senior or pari passu with all accounts payable and other similar liabilities incurred by the Company in the ordinary course of business. The Company may not prepay the convertible notes without the prior consent of the Investors.

In January 2014, the Company entered into a securities purchase agreement with the third party investors pursuant to which the Company issued senior unsecured contingently convertible promissory notes in the original aggregate principal amount of $130,000 and warrants to acquire an aggregate of 1,083,332 shares of the Company's common stock. Interest accrues on the convertible notes at a rate of 8% per annum, and is payable quarterly in cash, in arrears, on each year anniversary of the issuance of the convertible notes. At any time following the first anniversary of the issuance of the Convertible Notes, at the option of the note holders, the outstanding balance thereof (including unpaid interest) may be converted into shares of the Sustainable Oils's common stock at a conversion price equal to $0.01448, subject to change based on Sustainable Oils receiving alternative consideration from another investor. The conversion price may be adjusted in connection with stock splits, stock dividends and similar events affecting the Sustainable

Oils's capital stock. The relative fair value of the warrants was considered insignificant.

Mortgage Notes Payable

The investors holding the preferred membership units of GCE Mexico also directly funded the purchase by Asideros I of approximately 5,000 acres of land in the State of Yucatan in Mexico by the payment of $2,051,282, The land was acquired in the name of Asideros I, and Asideros I issued a mortgage in the amount of $2,051,282 in favor of the two original investors. These two investors also directly funded the purchase by Asideros 2 of approximately 4,500 acres, and a second parcel by Asideros 2 of approximately 600 acres of land adjacent to the land owned by Asideros by the total payment of $963,382. The land was acquired in the name of Asideros 2 and Asideros 2 issued mortgages in the amount of $963,382 in favor of these two investors. These mortgages bear interest at the rate of 12% per annum, payable quarterly. The parties have agreed to accrue the interest until such time as the Board determines that there is sufficient cash flow to pay all accrued interest. The initial mortgage, including any unpaid interest, is due in April 2018. The second mortgage, including any unpaid interest, is due in February 2020.

In October 2011, the two original investors also directly funded the purchase by Asideros 3 of approximately 5,600 acres for a total $2,095,525. The land was acquired in the name of Asideros 3 and Asideros 3 issued mortgages in the amount of $2,095,525 in favor of these two investors. These mortgages bear interest at the rate of 12% per annum, payable quarterly. The Board has directed that this interest shall continue to accrue until such time as the Board determines that there is sufficient cash flow to pay all accrued interest. The initial mortgage, including any unpaid interest, is due in October 2021.

In November 2012, one of the two holders of the preferred membership interests acquired all of the ownership interests of the other member. Accordingly, all of the foregoing obligations are now owed to the sole holder of GCE Mexico's preferred membership interests.

Promissory Notes Payable

In March 2013, the Company issued a secured promissory note in the principal amount of $1,300,000 to Targeted Growth, Inc. for certain Camelina assets. The purchase occurred concurrently with the acquisition of Sustainable Oils, LLC. The note bears an interest rate of ten percent (10.0%) per annum, and is payable upon the earlier of the following: (a) to the extent of 35.1% of, and on the third business day after, the receipt by the Company of any Qualified Funding; or (b) September 13, 2014 (the "Maturity Date"). The Company has amended the note by extending the maturity date to December 31, 2014 and returning the certain Camelina assets to Targeted Growth, Inc. at the book value of $190,500. Thus, the outstanding balance of the note was reduced by the value of the assets returned for the same book value of $190,500. The term "Qualified Funding" means all equity funding in excess of the $800,000, in the aggregate, received by the Company, its subsidiary or an affiliate after the date hereof for its Camelina business.

Note 7 - Equity (Deficit)

Common Stock

In March 2013, the Company issued 40,000,000 shares, at $.02 per share as partial consideration of the business purchase that included certain assets, patents, and other intellectual property and rights related to the development of Camelina sativa as a biofuels feedstock that it acquired.

Note 8 – Stock Options and Warrants

Stock Options and Compensation-Based Warrants

The Company has an incentive stock option plan wherein 40,000,000 shares of the Company's common stock are reserved for issuance thereunder.

A summary of the status of options and compensation-based warrants at March 31, 2014, and changes during the three months then ended is presented in the following table:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2013	69,375,311	0.02	6.6 years	-
Granted	3,700,000	0.01		
Exercised	-	-		
Forfeited	(350,000)	0.02		
Expired	(80,000)	0.25		
Outstanding at March 31, 2014	72,645,311	0.02	8.9 years	$ 80,830
Vested and Expected to Vest at March 31, 2014	53,468,233	$ 0.02	2.9 years	$ 61,907

The fair value of other stock option grants and compensation-based warrants is estimated on the date of grant or issuance using the Black-Scholes option pricing model. Options to purchase 3,700,000 shares of common stock were issued in the three months ended March 31, 2014 and 3,450,000 in the three months ended March 31, 2013. The weighted average fair value of stock options issued during the three months ended March 31, 2014 and 2013 as $0.014 and $.015, respectively. The weighted-average assumptions used for the stock options granted and compensation-based warrants issued during the three months ended March 31, 2014 and 2013 were risk-free interest rate of 1.75% and 0.77%, volatility of 130% and 171%, expected life of 8.9 years, and dividend yield of zero. The expected life of stock options represents the period of time that the stock options granted are expected to be outstanding prior to exercise. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury constant maturities rate for the expected life of the related stock options. The dividend yield represents anticipated cash dividends to be paid over the expected life of the stock options. The intrinsic values are based on a March 31, 2014 closing price of $0.014 per share.

Share-based compensation from all sources recorded during the three months ended March 31, 2014 and 2013 was approximately $44,290 and $107,115, respectively, and is reported as general and administrative expense in the accompanying condensed consolidated statements of operations. As of March 31, 2014, there is approximately $145,090 of unrecognized compensation cost related to stock-based payments that will be recognized over a weighted average period of approximately 0.53 years.

Stock Warrants

A summary of the status of the warrants outstanding at March 31, 2014, and changes during the three months ended is presented in the following table:

	Shares Under Warrant	Weighted Average Exercise Price	Weighted Average Remaining Contractual life	Aggregate Intrinsic Value
Outstanding at December 31, 2013	2,000,000	0.01	9.24 years	$ 20,000
Issued	1,083,332	0.012	2.76 years	$ 13,000
Exercised	-			
Expired	-			
Outstanding at March 31, 2014	3,083,332	0.0117	6.80 years	$ 36,167

Note 9 - Acquisition of Camelina Assets and Sustainable Oils

On March 13, 2013, the Company completed a business purchase that included certain assets, patents, and other intellectual property and rights related to the development of Camelina sativa as a biofuels feedstock (the "Camelina Assets") from Targeted Growth, Inc., a Washington based crop biotechnology company focused on developing products with enhanced yield and improved quality for the agriculture and energy industries. Also on March 13, 2013, we purchased all of the membership interests of Sustainable Oils, LLC, (SusOils) a Delaware limited liability company, from Targeted Growth, Inc. and the other, minority owner of that limited liability company. SusOils is a company that, since 2007, has been engaged in the development, production and commercialization of Camelina-based biofuels and FDA approved animal feed. Substantially all of the Camelina Assets were previously owned by SusOils and used in SusOils' operations.

For accounting purposes, the acquisition of the Camelina Assets and all of the membership interests of Sustainable Oils, LLC is treated as the acquisition of Sustainable Oil's business. The amounts of Sustainable Oils, Inc.'s revenue and earnings included in the Company's consolidated income statement for the three months ended March 31, 2014 and 2013, and the pro forma revenue and earnings of the combined entity had the acquisition date been January 1, 2013, are as follows:

	Revenue	Net Losses
2013 Supplemental pro forma from January 1 - March 31, 2013	$92,727	$(261,483)

The foregoing pro forma data is subject to various assumptions and estimates, and is presented for informational purposes only. This pro forma data does not purport to represent or be indicative of the consolidated operating results that would have been reported had the transaction been completed as described herein, and the data should not be taken as indicative of future consolidated operating results.

Note 10 – Impairment of assets and fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, a hierarchy has been established by generally accepted accounting principles which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

As of March 31, 2014 and 2013, the Company does not have any assets or liabilities measured at fair value on a recurring basis.

Fair value is used on a nonrecurring basis to measure certain assets when applying lower of cost or fair value accounting or when adjusting carrying values. Fair value is also used when evaluating impairment on certain assets, including deferred growing costs and property and equipment.

The following is a tabular presentation of assets measured at fair value on a nonrecurring basis along with the level within the hierarchy in which the fair value measurement falls as of March 31, 2014:

Description	March 31, 2014	Fair Value of Measurements at Reporting Date Using Level 1	Level 2	Level 3
Deferred Growing Cost	$-	$-	$-	$-
Plantation Development Cost	10,523,633	-	-	10,523,633
	$10,523,633	$-	$-	$10,523,633

The Company has not recognized any impairment charges for the three months ended March 31, 2014 and 2013.

Note 11 – Subsequent Event