# SOLAZYME INC

## FORM 10-Q
(Quarterly Report)

Filed 08/10/15 for the Period Ending 06/30/15

| | |
|---|---|
| Address | 225 GATEWAY BLVD.<br>S. SAN FRANCISCO, CA 94080 |
| Telephone | 650-780-4777 |
| CIK | 0001311230 |
| Symbol | SZYM |
| SIC Code | 2860 - Industrial Organic Chemicals |
| Industry | Oil & Gas Operations |
| Sector | Energy |
| Fiscal Year | 12/31 |

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended June 30, 2015**

**OR**

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

**For the Transition Period from _____to _____**

**Commission File Number: 001-35189**

# Solazyme, Inc.

**(Exact name of Registrant as specified in its charter)**

| **Delaware** | **33-1077078** |
|---|---|
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification Number)** |

**Solazyme, Inc.**
**225 Gateway Boulevard**
**South San Francisco, CA 94080**
**(650) 780-4777**
**(Address and telephone number 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 pursuance to Rule 405 of Regulation S-T (§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, or a non-accelerated filer.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date

| **Class** | **Outstanding at July 31, 2015** |
|---|---|
| Common Stock, $0.001 par value per share | 80,191,307 shares |

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## PART I: FINANCIAL INFORMATION

**Item 1. Financial Statements.**

**SOLAZYME, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**In thousands, except share and per share amounts**
**Unaudited**

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 35,653 | $ 42,689 |
| Marketable securities | 111,373 | 164,619 |
| Accounts receivable, net | 3,276 | 4,598 |
| Unbilled revenues | 1,185 | 3,002 |
| Inventories | 14,790 | 15,334 |
| Prepaid expenses and other current assets | 3,493 | 3,685 |
| Total current assets | 169,770 | 233,927 |
| Property, plant and equipment, net | 33,197 | 36,080 |
| Investment in unconsolidated joint venture | 39,304 | 40,934 |
| Other assets | 1,426 | 1,648 |
| Total assets | $ 243,697 | $ 312,589 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 4,954 | $ 8,319 |
| Accrued liabilities | 10,831 | 14,079 |
| Current portion of long-term debt | — | 6 |
| Deferred revenue | 825 | 1,050 |
| Total current liabilities | 16,610 | 23,454 |
| Deferred revenue | — | 150 |
| Convertible debt, inclusive of derivative liabilities of $232 and $83 at June 30, 2015 and December 31, 2014, respectively; and net of unamortized debt discounts of $9,957 and $11,124 at June 30, 2015 and December 31, 2014, respectively. | 201,408 | 200,091 |
| Other liabilities | 5,846 | 2,518 |
| Total liabilities | 223,864 | 226,213 |
| Commitments and contingencies (Note 15) | | |
| Stockholders' equity: | | |
| Preferred stock, par value $0.001—5,000,000 shares authorized; 0 shares issued and outstanding | — | — |
| Common stock, par value $0.001—150,000,000 shares authorized; 80,176,861 and 79,388,069 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively | 80 | 79 |
| Additional paid-in capital | 575,126 | 565,769 |
| Accumulated other comprehensive loss | (15,079) | (11,014) |
| Accumulated deficit | (540,294) | (468,458) |
| Total stockholders' equity | 19,833 | 86,376 |
| Total liabilities and stockholders' equity | $ 243,697 | $ 312,589 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**SOLAZYME, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**In thousands, except share and per share amounts**
**Unaudited**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | |
| Product revenues | $ 8,307 | $ 9,022 | 17,128 | 16,370 |
| Research and development programs | 3,433 | 6,917 | 7,217 | 11,960 |
| Total revenues | 11,740 | 15,939 | 24,345 | 28,330 |
| Costs and operating expenses: | | | | |
| Cost of product revenues | 4,361 | 4,470 | 9,031 | 7,860 |
| Research and development | 12,747 | 22,064 | 25,301 | 42,899 |
| Sales, general and administrative | 20,981 | 21,637 | 42,249 | 42,244 |
| Restructuring charges | (31) | — | 393 | — |
| Total costs and operating expenses | 38,058 | 48,171 | 76,974 | 93,003 |
| Loss from operations | (26,318) | (32,232) | (52,629) | (64,673) |
| Other income (expense): | | | | |
| Interest and other income, net | 137 | 393 | 400 | 628 |
| Interest expense | (3,547) | (5,055) | (7,083) | (6,402) |
| Loss from equity method investment | (7,309) | (4,278) | (12,375) | (8,112) |
| Gain from change in fair value of warrant liability | — | — | — | 688 |
| (Loss) gain from change in fair value of derivative liabilities | (134) | (1,745) | (149) | 273 |
| Total other income (expense) | (10,853) | (10,685) | (19,207) | (12,925) |
| Net loss | $ (37,171) | $ (42,917) | $ (71,836) | $ (77,598) |
| Net loss per share, basic and diluted | (0.46) | (0.56) | (0.90) | (1.07) |
| Weighted average number of common shares used in loss per share computation, basic and diluted | 80,097,866 | 75,963,290 | 79,874,952 | 72,606,733 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**SOLAZYME, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
**In thousands**
**Unaudited**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net loss | $ (37,171) | $ (42,917) | $ (71,836) | $ (77,598) |
| Other comprehensive income (loss), net: | | | | |
| Change in unrealized gain/loss on available-for-sale securities | 15 | (40) | 190 | (52) |
| Foreign currency translation adjustment | 1,942 | 956 | (4,255) | 2,210 |
| Other comprehensive income (loss) | 1,957 | 916 | (4,065) | 2,158 |
| Total comprehensive loss | $ (35,214) | $ (42,001) | $ (75,901) | $ (75,440) |

See accompanying notes to the unaudited condensed consolidated financial statements.

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**SOLAZYME, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**In thousands**
**Unaudited**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2015** | **2014** |
| Operating activities: | | |
| Net loss | $ (71,836) | $ (77,598) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 2,861 | 3,104 |
| Gain on sale of available for sale securities | (2) | (7) |
| Net amortization of premiums on marketable securities | 704 | 688 |
| Amortization of debt discount | 1,167 | 840 |
| Amortization of loan fees | 89 | 146 |
| Warrant expense related to vesting of ADM Warrant | 51 | 342 |
| Debt conversion expense | — | 1,766 |
| Restructuring charges | 393 | — |
| Stock-based compensation expense | 8,788 | 12,405 |
| Loss from equity method investments | 11,980 | 8,500 |
| Revaluation of warrant liability | — | (688) |
| Revaluation of derivative liabilities | 149 | (273) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,387) | (3,938) |
| Unbilled revenues | 1,817 | (2,505) |
| Inventories | 544 | (4,973) |
| Prepaid expenses and other current assets | 125 | 159 |
| Other assets | (48) | 2,937 |
| Accounts payable | (3,447) | 6,141 |
| Accrued liabilities | (2,926) | 1,608 |
| Deferred revenue | (375) | 902 |
| Other current and long-term liabilities | 3,327 | (95) |
| Net cash used in operating activities | (49,026) | (50,539) |
| Investing activities: | | |
| Purchases of property, plant and equipment | (703) | (4,531) |
| Proceeds from the sale of equipment | 121 | — |
| Purchases of marketable securities | (19,250) | (152,836) |
| Maturities of marketable securities | 69,506 | 53,834 |
| Proceeds from sales of marketable securities | 2,425 | 6,148 |
| Capital contributions in unconsolidated joint venture | (10,287) | (26,050) |
| Capitalized interest related to unconsolidated joint venture | — | (620) |
| Restricted certificates of deposit | 181 | — |
| Net cash provided by (used in) investing activities | 41,993 | (124,055) |
| Financing activities: | | |
| Repayments under loan agreements | (6) | (10,401) |
| Proceeds from the issuance of Senior Convertible Notes, net of discount | — | 143,894 |
| Proceeds from the issuance of common stock | 114 | 6,989 |
| Proceeds from issuance of common stock, pursuant to ESPP | 313 | 709 |
| Proceeds from issuance of common stock in a public offering, net of underwriting discounts and commission | — | 59,259 |
| Early exercise of stock options subject to repurchase | — | (4) |
| Payment for loan costs and fees | — | (448) |
| Cash settlement of vested restricted stock units | (32) | (68) |
| Net cash provided by financing activities | 389 | 199,930 |
| Effect of exchange rate changes on cash and cash equivalents | (392) | 51 |

| | | |
|---|---|---|
| Net (decrease) increase of cash and cash equivalents | (7,036) | 25,387 |
| Cash and cash equivalents — beginning of period | 42,689 | 54,977 |
| Cash and cash equivalents — end of period | $ 35,653 | $ 80,364 |
| Supplemental disclosures of cash flow information: | | |
| Interest paid in cash, net of capitalized interest | $ 5,585 | $ 1,996 |
| Income taxes paid in cash | $ — | $ — |

See accompanying notes to the unaudited condensed consolidated financial statements.

**SOLAZYME, INC.**
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## 1. THE COMPANY

Solazyme, Inc. (the “Company”) was incorporated in the State of Delaware on March 31, 2003. The Company’s proprietary technology uses highly optimized microalgae in an industrial fermentation process to transform a range of abundant plant-based sugars into high-value triglyceride oils and other bioproducts. The Company’s renewable products can replace or enhance products derived from the world’s three existing oil sources: petroleum, plants, and animal fats. The Company has the ability to tailor the composition of its oils and other bioproducts to address specific customer requirements, offering superior performance characteristics and value via a renewable pathway. The Company has pioneered an industrial biotechnology platform that harnesses the oil-producing characteristics of microalgae. The Company uses standard industrial fermentation equipment to convert sugars into the desired end product. Fermentation helps accelerate microalgae’s natural biological process, allowing the Company to produce large amounts of a desired product in a matter of days. By feeding plant-based sugars to the Company’s proprietary oil-producing microalgae in enclosed fermentation tanks, the Company is in effect utilizing “indirect photosynthesis.” The Company’s technology platform is feedstock flexible and can utilize a wide variety of renewable plant-based sugars. The Company currently uses sugarcane-based sucrose and corn-based dextrose as its two primary feedstock sources. The Company's technology can also support sugar from other sustainable biomass sources including cellulosics, which the Company believes will represent an important alternative feedstock in the future. Beyond triglyceride oils and other bioproducts, the Company’s technology platform allows it to also produce and sell specialty algal meal products for a range of product applications that utilize the protein, fiber and other compounds found in the cell wall and algal body of the microalgae. In January 2014, the Company commenced commercial operations at both Archer Daniels Midland Company's ("ADM") Clinton, Iowa facility, and the downstream companion facility operated by American Natural Processors, Inc. ("ANP") in Galva, Iowa ("Clinton/Galva Facilities"). In May 2014, the Company's joint venture with Bunge Global Innovation, LLC (together with its affiliates, "Bunge") produced its first products at the Solazyme Bunge Renewable Oils plant in Brazil ("Solazyme Bunge JV Plant"), and manufacturing operations and processes continue to be optimized as the Solazyme Bunge JV Plant is ramped up.

The industry in which the Company is involved is highly competitive and is characterized by the risks of changing technologies, market conditions, and regulatory requirements. Penetration into markets requires investment of considerable resources and continuous development efforts. The Company’s future success depends upon several factors, including the technological quality, price, and performance of its products and services relative to those of its competitors, scaling up of production for commercial sale, ability to secure adequate project financing at appropriate terms, and the nature of regulation in its target markets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

***Basis of Presentation*** **-** The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include all adjustments necessary for the fair presentation of the Company’s condensed consolidated financial position, results of operations and cash flows for the periods presented. The unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Solazyme Brazil Renewable Oils and Bioproducts Limitada (“Solazyme Brazil”), the operations of which began in the first quarter of 2011, and Solazyme Manufacturing 1, L.L.C, which was formed in the second quarter of 2011 to own the commercial production facility assets located in Peoria, Illinois ("Peoria Facility") and related promissory note. All intercompany accounts and transactions have been eliminated in consolidation.

The Company has an interest in an active joint venture entity that is a variable interest entity (“VIE”). Determining whether to consolidate a VIE in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810, *Consolidation* , requires judgment in assessing (i) whether an entity is a VIE entity and (ii) if the Company is the entity’s primary beneficiary and thus required to consolidate the entity. To determine if the Company is the primary beneficiary of a VIE, the Company evaluates whether it has (i) the power to direct the activities that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

On April 2, 2012 , the Company entered into a joint venture agreement ("Joint Venture Agreement") with Bunge. In connection with the Company’s joint venture with Bunge (“Solazyme Bunge JV”), Solazyme Bunge Produtos Renováveis Ltda. was formed, which is a VIE and is 50.1% owned by the Company and 49.9% owned by Bunge. The Company determined that it was not required to consolidate the 50.1% ownership in this joint venture and, therefore, accounts for this joint venture under the equity method of accounting (see Note 11).

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments of a normal recurring nature considered necessary to present fairly the Company's interim financial information. The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015, or for other interim periods or future years.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the United States Securities and Exchange Commission ("SEC") on March 6, 2015. The December 31, 2014 unaudited interim condensed consolidated balance sheet included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures, including notes required by GAAP for complete financial statements.

***Significant Accounting Policies*** – There have been no changes to the Company's significant accounting policies since the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

***Recent Accounting Pronouncements*** – In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition* . ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. On April 29, 2015 the FASB issued a proposed ASU to defer for one year the effective date of ASU 2014-09. The proposed ASU would defer the effective date of ASU 2014-09 for the Company to beginning after December 15, 2017. Early adoption would be permitted as of the original effective date in ASU 2014-09 (i.e., annual reporting periods beginning after December 15, 2016). On July 9, 2015, the FASB approved the deferral of the effective date of ASU 2014-09 by one year. The Company is currently assessing the impact adoption of this guidance will have on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, " *Presentation of Financial Statements - Going Concern (Subtopic 205-40); Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ," which requires management of a company to evaluate whether there is substantial doubt about the Company's ability to continue as a going concern. This ASU is effective for the annual reporting period ending after December 15, 2016, and for interim and annual reporting periods thereafter, with early adoption permitted. The Company is currently assessing the potential impact on its consolidated financial statements from adopting this new guidance.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* . ASU 2015-02 amends the analysis performed to determine whether a reporting entity should consolidate certain types of legal entities. ASU 2015-02 will be effective retrospectively for the Company beginning after December 15, 2015, with early adoption permitted. The Company is currently assessing the impact adoption of this guidance will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30)*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 requires retrospective adoption and will be effective for the Company beginning after December 15, 2015, and early adoption is permitted. The Company is currently assessing the potential impact on its consolidated financial statements from adopting this new guidance.

**3. BASIC AND DILUTED NET LOSS PER SHARE**

Basic net loss per share is computed by dividing the Company's net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed by giving effect to all potentially dilutive securities, including stock options, restricted stock units and common stock warrants. Basic and diluted net loss per share was the same for all periods presented as the inclusion of all potentially dilutive securities outstanding was anti-dilutive.

The following table summarizes the Company's calculation of basic and diluted net loss per share (in thousands, except share and per share amounts):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| *Numerator* | | | | |
| Net loss | $ (37,171) | $ (42,917) | $ (71,836) | $ (77,598) |
| *Denominator* | | | | |
| Weighted-average number of common shares used in net loss per share calculation | 80,097,866 | 75,963,579 | 79,874,952 | 72,607,768 |
| Less: Weighted-average shares subject to repurchase | — | (289) | — | (1,035) |
| Denominator: basic and diluted | 80,097,866 | 75,963,290 | 79,874,952 | 72,606,733 |
| Net loss per share, basic and diluted | $ (0.46) | $ (0.56) | $ (0.90) | $ (1.07) |

The following outstanding shares of potentially dilutive securities were excluded from the calculation of diluted net loss per share for the three and six months ended June 30, 2015 and 2014, as their effect was anti-dilutive:

| | June 30, | |
|---|---|---|
| | 2015 | 2014 |
| Options to purchase common stock | 10,603,967 | 11,259,064 |
| Restricted stock units | 1,791,457 | 2,406,795 |
| Warrants to purchase common stock | 1,250,000 | 1,250,000 |
| Shares of common stock to be issued upon conversion of convertible debt ("Notes") | 18,790,996 | 18,790,996 |
| Total | 32,436,420 | 33,706,855 |

This table does not reflect (1) the series of warrants issued to Archer-Daniels-Midland Company ("ADM") in March 2013 for payment in stock or cash, at the Company's election, of future annual fees for use and operation of a portion of the ADM fermentation facility in Clinton, Iowa (the "Clinton Facility") under the Strategic Collaboration Agreement (the "Collaboration Agreement") (see Note 13) and (2) early conversion payment features of the Notes (see Notes 8 and 14) that may be settled, at the Company's election, in cash or, subject to satisfaction of certain conditions, in shares of the Company's common stock.

## 4. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in accumulated other comprehensive loss, by component, are as follows (in thousands):

| | Foreign Currency Translation Adjustments | Change in Unrealized Gain/Loss on Available-For-Sale Securities | Total Accumulated Other Comprehensive Loss |
|---|---|---|---|
| ***Balance at December 31, 2014*** | $ (10,788) | $ (226) | $ (11,014) |
| Other comprehensive loss | (4,255) | 190 | (4,065) |
| ***Balance at June 30, 2015*** | $ (15,043) | $ (36) | $ (15,079) |

| | Foreign Currency Translation Adjustments | Change in Unrealized Gain/Loss on Available-For-Sale Securities | Total Accumulated Other Comprehensive Loss |
|---|---|---|---|
| ***Balance at December 31, 2013*** | $ (3,880) | $ 86 | $ (3,794) |
| Other comprehensive loss | 2,210 | (52) | 2,158 |
| ***Balance at June 30, 2014*** | $ (1,670) | $ 34 | $ (1,636) |

## 5. SEGMENT INFORMATION

The Company has two operating segments which are reportable segments for financial statement reporting purposes: Algenist ® and Intermediates/Ingredients & Other. The change in reportable segments for financial reporting purposes that occurred in the fourth quarter of 2014 has been retrospectively applied to the prior period disclosure below.

The following table shows gross margin for the Company's reportable segments for the three and six months ended June 30, 2015 and 2014, reconciled to the Company's total product revenue and cost of product revenue as shown in its condensed consolidated statements of operations (in thousands):

| | Algenist ® | Intermediates/ Ingredients & Other | Total |
|---|---|---|---|
| ***Three months ended June 30, 2015*** | | | |
| Product revenues | $ 5,191 | $ 3,116 | $ 8,307 |
| Cost of product revenues | 1,347 | 3,014 | 4,361 |
| Segment gross profit | $ 3,844 | $ 102 | $ 3,946 |
| ***Six months ended June 30, 2015*** | | | |
| Product revenues | $ 11,402 | $ 5,726 | $ 17,128 |
| Cost of product revenues | 3,667 | 5,364 | 9,031 |
| Segment gross profit | $ 7,735 | $ 362 | $ 8,097 |
| ***Three months ended June 30, 2014*** | | | |
| Product revenues | $ 5,960 | $ 3,062 | $ 9,022 |
| Cost of product revenues | 1,890 | 2,580 | 4,470 |
| Segment gross profit | $ 4,070 | $ 482 | $ 4,552 |
| ***Six months ended June 30, 2014*** | | | |
| Product revenues | $ 10,901 | $ 5,469 | $ 16,370 |
| Cost of product revenues | 3,377 | 4,483 | 7,860 |
| Segment gross profit | $ 7,524 | $ 986 | $ 8,510 |

A reconciliation of total segment gross profit to operating loss is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Gross profit | $ 3,946 | $ 4,552 | $ 8,097 | $ 8,510 |
| Research and development programs revenue | 3,433 | 6,917 | 7,217 | 11,960 |
| Research and development expense | (12,747) | (22,064) | (25,301) | (42,899) |
| Sales, general and administrative expense | (20,981) | (21,637) | (42,249) | (42,244) |
| Restructuring charges | 31 | — | (393) | — |
| Loss from operations | $ (26,318) | $ (32,232) | $ (52,629) | $ (64,673) |

The Company does not allocate its assets to its reportable segments.

**6. RESTRUCTURING CHARGES**

On December 18, 2014, the Company took steps to decrease operating expenses through a reduction in workforce and other cost-cutting measures ("2014 Restructuring Plan"). These targeted reductions are designed to enable the Company to achieve sustainable cash flow in the future.

A summary of the costs, which were recorded in Restructuring Charges in the condensed consolidated statements of operations, and remaining costs associated with the 2014 Restructuring Plan are as follows (in thousands):

| | Total 2014 Restructuring Plan | Year Ended December 31, 2014 | Six Months Ended June 30, 2015 | Remaining Costs to be Recognized |
|---|---|---|---|---|
| Employee termination costs | $ 1,970 | $ 1,962 | $ (1) | $ 9 |
| Facility closure costs | 12 | — | 12 | — |
| Asset impairment | 1,552 | 1,552 | — | — |
| Accelerated depreciation | 374 | — | 374 | — |
| Other exit costs | 8 | — | 8 | — |
| Total | $ 3,916 | $ 3,514 | $ 393 | $ 9 |

A summary of restructuring activity associated with the 2014 Restructuring Plan at June 30, 2015, and changes from the liability balance as of December 31, 2014, is as follows (in thousands):

| | Balance at December 31, 2014 | Additions/Adjustments | Payments | Balance at June 30, 2015 |
|---|---|---|---|---|
| Employee termination costs | $ 1,348 | $ (1) | $ (1,312) | $ 35 |
| Facility closure costs | — | 12 | — | 12 |
| Total [1] | $ 1,348 | $ 11 | $ (1,312) | $ 47 |

[1] The remaining accrued costs as of June 30, 2015 are recorded as current liabilities in the condensed consolidated balance sheets under “Accrued liabilities,” as they are expected to be paid out by the end of 2015.

## 7. MARKETABLE SECURITIES

Marketable securities classified as available-for-sale consisted of the following (in thousands):

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value |
| Corporate bonds | $ 53,664 | $ 22 | $ (51) | $ 53,635 |
| Asset-backed securities | 29,726 | 6 | (13) | 29,719 |
| Government and agency securities | 12,428 | 38 | (5) | 12,461 |
| Mortgage-backed securities | 11,546 | 13 | (48) | 11,511 |
| Commercial paper | — | — | — | — |
| Municipal bonds | 4,045 | 3 | (1) | 4,047 |
| Total | $ 111,409 | $ 82 | $ (118) | $ 111,373 |

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Fair Value |
| Corporate bonds | $ 62,208 | $ 16 | $ (134) | $ 62,090 |
| Asset-backed securities | 49,343 | 5 | (38) | 49,310 |
| Mortgage-backed securities | 19,280 | 25 | (114) | 19,191 |
| Commercial paper | 18,698 | 2 | — | 18,700 |
| Government and agency securities | 11,868 | 14 | (4) | 11,878 |
| Municipal bonds | 3,448 | 3 | (1) | 3,450 |
| Total | $ 164,845 | $ 65 | $ (291) | $ 164,619 |

The following table summarizes the amortized cost and fair value of the Company's marketable securities, classified by maturity as of June 30, 2015 and December 31, 2014 (in thousands):

| | June 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| **Marketable securities** | | | | |
| Due in 1 year or less | $ 38,195 | $ 38,201 | $ 46,759 | $ 46,754 |
| Due in 1-2 years | 42,696 | 42,701 | 53,698 | 53,639 |
| Due in 2-3 years | 11,657 | 11,645 | 30,558 | 30,505 |
| Due in 3-4 years | 5,398 | 5,402 | 11,277 | 11,275 |
| Due in 4-9 years | 4,654 | 4,655 | 7,280 | 7,275 |
| Due in 9-20 years | 1,353 | 1,356 | 1,257 | 1,266 |
| Due in 20-35 years | 7,456 | 7,413 | 14,016 | 13,905 |
| | $ 111,409 | $ 111,373 | $ 164,845 | $ 164,619 |

Marketable securities classified as available-for-sale are carried at fair value as of June 30, 2015 and December 31, 2014. Realized gains and losses from sales and maturities of marketable securities were not significant in the periods presented.

The aggregate fair value of available-for-sale securities with unrealized losses was $62.8 million as of June 30, 2015. Gross unrealized losses on available-for-sale securities were $0.1 million as of June 30, 2015, and the Company believes the gross unrealized losses are temporary. In determining that the decline in fair value of these securities was temporary, the Company considered the length of time each security was in an unrealized loss position and the extent to which the fair value was less than cost. The aggregate fair value and unrealized loss of available-for-sale securities which had been in a continuous loss position for more than 12 months was $7.0 million and $27,000 as of June 30, 2015, respectively. In addition, the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities before the recovery of their amortized cost basis.

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities recorded at fair value in the unaudited interim condensed consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels that are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

- Level 1—Observable inputs, such as quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation.

The following tables present the Company's financial instruments that were measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 by level within the fair value hierarchy (in thousands):

| | June 30, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial Assets** | | | | |
| Cash equivalents | $ 6,610 | $ 920 | $ — | $ 7,530 |
| Marketable securities | 5,799 | 105,574 | — | 111,373 |
| Total | $ 12,409 | $ 106,494 | $ — | $ 118,903 |
| **Financial Liabilities** | | | | |
| Derivative liabilities | $ — | $ — | $ 232 | $ 232 |

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial Assets** | | | | |
| Cash equivalents | $ 1,880 | $ 7,828 | $ — | $ 9,708 |
| Marketable securities | 4,897 | 159,722 | — | 164,619 |
| Total | $ 6,777 | $ 167,550 | $ — | $ 174,327 |
| **Financial Liabilities** | | | | |
| Derivative liabilities | $ — | $ — | $ 83 | $ 83 |

Other than assets impaired as of December 31, 2014 as a result of the 2014 Restructuring Plan, the Company had no transactions measured at fair value on a nonrecurring basis as of June 30, 2015 and December 31, 2014.

*Cash Equivalents and Marketable Securities* – Cash equivalents and marketable securities classified within Level 2 of the fair value hierarchy are valued based on other observable inputs, including broker or dealer quotations or alternative pricing sources. When quoted prices in active markets for identical assets or liabilities are not available, the Company relies on non-binding quotes, which are based on proprietary valuation models of independent pricing services. These models generally use inputs such as observable market data, quoted market prices for similar instruments, historical pricing trends of a security as relative to its peers and internal assumptions of the independent pricing services. The Company corroborates the reasonableness of non-binding quotes received from the independent pricing services by comparing them to quotes of identical or similar instruments from other pricing sources. During the three and six months ended June 30, 2015 and 2014, the Company did not record impairment charges related to its cash equivalents and marketable securities, and the Company did not have any transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy.

*Derivative Liabilities* – In January 2013, the Company issued 6.00% Convertible Senior Subordinated Notes due 2018 (the "2018 Notes") and, in April 2014, the Company issued 5.00% Convertible Senior Subordinated Notes due 2019 (the “2019 Notes” collectively with the 2018 Notes, the "Notes"). Each of the 2018 Notes and the 2019 Notes contains an early conversion payment feature pursuant to which a holder may convert its Notes into shares of the Company's common stock (See Note 14). These early conversion payment features have been identified as embedded derivatives and are separated from the host contracts, the 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 related to the early conversion payment features of the Notes meet these criteria and, as such, must be valued separate and apart from the Notes and recorded at their fair values at each reporting period. At each reporting period, the Company records these embedded derivatives at their fair values, which are included as a component of Convertible Debt on its condensed consolidated balance sheets. The fair values of the embedded derivatives are trued up on a recurring basis as Note holders early convert their Notes and receive the early conversion payment.

The Company used a Monte Carlo simulation model to estimate the fair values of the embedded derivatives related to the early conversion payment features of the Notes. The following tables set forth the Level 3 inputs to the Monte Carlo simulation models that were used to determine the fair values of the embedded derivatives for the Notes:

| ***Constant Inputs*** | **2018 Notes** | **2019 Notes** |
|---|---|---|
| Conversion rate | 121.1240 | 75.7576 |
| Conversion price | $ 8.26 | $ 13.20 |
| Maturity date of the Notes | February 1, 2018 | October 1, 2019 |
| Maturity date of early payment feature | November 1, 2016 | January 1, 2018 |

| ***Variable Inputs*** | **June 30, 2015** | **June 30, 2015** | **December 31, 2014** | **December 31, 2014** |
|---|---|---|---|---|
| | ***2018 Notes*** | ***2019 Notes*** | ***2018 Notes*** | ***2019 Notes*** |
| Stock price | $ 3.14 | $ 3.14 | $ 2.58 | $ 2.58 |
| Estimated credit spread | 2,983 basis points | 2,410 basis points | 2,450 basis points | 2,900 basis points |
| Estimated stock volatility | 55% | 55% | 55% | 55% |

Changes in certain inputs into the model can have a significant impact on changes in the estimated fair values of the embedded derivatives. The following table sets forth the estimated fair values of the embedded derivatives (in thousands):

| | **June 30, 2015** | **December 31, 2014** |
|---|---|---|
| 2018 Notes | $ 92 | $ 35 |
| 2019 Notes | $ 140 | $ 48 |

The total net increase in the estimated fair value of the embedded derivative for the Notes between December 31, 2014 and June 30, 2015 represents an unrealized loss that has been recorded as a loss from change in fair value of derivative liabilities in the condensed consolidated statements of operations for the six months ended June 30, 2015.

The following table presents the change in fair values of the Company's Level 3 financial instruments that were measured on a recurring basis using significant unobservable inputs as of June 30, 2015 (in thousands):

| | |
|---|---|
| Fair value at December 31, 2014 | $ 83 |
| Change in fair value of derivative liabilities of the Notes recorded as a loss | 149 |
| Fair value at June 30, 2015 | $ 232 |

The Company has estimated the fair value of its secured and unsecured debt obligations based upon discounted cash flows with Level 3 inputs, such as the terms that management believes would currently be available to the Company for similar issues of debt, taking into account the current credit risk of the Company and other factors. As of June 30, 2015 and December 31, 2014 the carrying values of the Company's secured and unsecured debt obligations, excluding the Notes, approximated their fair values. The Company has estimated the fair value of the Notes to be $129.0 million and $127.1 million at June 30, 2015 and December 31, 2014, respectively, based upon Level 2 inputs using the market price of the Notes derived from actual trades quoted from Bloomberg.

**9. INVENTORIES**

Inventories consisted of the following (in thousands):

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Raw materials | $ 1,862 | $ 1,555 |
| Work in process | 8,757 | 8,544 |
| Finished goods | 4,171 | 5,235 |
| Total inventories | $ 14,790 | $ 15,334 |

**10. PROPERTY, PLANT AND EQUIPMENT—NET**

Property, plant and equipment—net consisted of the following (in thousands):

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Plant equipment | $ 30,596 | $ 30,213 |
| Building and improvements | 5,807 | 5,807 |
| Lab equipment | 7,363 | 7,904 |
| Leasehold improvements | 1,893 | 1,935 |
| Computer equipment and software | 3,930 | 3,936 |
| Furniture and fixtures | 639 | 638 |
| Land | 430 | 430 |
| Automobiles | 194 | 194 |
| Construction in progress | 1,780 | 1,926 |
| Total | 52,632 | 52,983 |
| Less: accumulated depreciation and amortization | (19,435) | (16,903) |
| Property, plant and equipment—net | $ 33,197 | $ 36,080 |

Construction in progress as of June 30, 2015 and December 31, 2014 related primarily to the Peoria and Clinton/Galva Facilities and other plant equipment not yet placed in service as of those dates.

Depreciation and amortization expense was $1.4 million and $2.9 million for the three and six months ended June 30, 2015, respectively, and $1.6 million and $3.1 million for the three and six months ended June 30, 2014, respectively.

**11. INVESTMENTS IN JOINT VENTURES AND RELATED PARTY TRANSACTIONS**

***Solazyme Bunge Joint Venture***

In April 2012, the Company and Bunge formed the Solazyme Bunge JV to build, own and operate the Solazyme Bunge JV Plant, a commercial-scale renewable algal oils production facility adjacent to Bunge's Moema sugarcane mill in Brazil. Construction of the Solazyme Bunge JV Plant commenced in the second quarter of 2012. In May 2014, the Solazyme Bunge JV Plant produced its first products on full-scale production lines, including 625,000 liter fermentation tanks, and manufacturing operations at the facility are in the process of being optimized and ramped up. Both oil and Encapso ™ products have been manufactured; production is continuing and is expected to ramp toward targeted nameplate capacity as the Company works to increase efficiency in unit operations, and balances production volumes with operating costs as it focuses on higher value products. Additional capital expenditures may be required to reach nameplate capacity depending on the product mix produced at the plant. The Solazyme Bunge JV Plant leverages the Company's technology and Bunge's sugarcane milling and natural oil processing capabilities to produce microalgae-based products. The Solazyme Bunge JV is 50.1% owned by the Company and 49.9% by Bunge and is governed by a six member board of directors, three from each investor. The capital contributions for this venture are being provided jointly by Solazyme and Bunge, and the agreement includes a value sharing mechanism that provides additional compensation to the Company for its technology contributions. The Company and Bunge each contributed capital in the amount of $84.2 million through June 30, 2015, comprised of $14.1 million , $47.9 million , $12.3 million and $10.0 million during the six months ended June 30, 2015 and during the years ended December 31, 2014, 2013 and 2012, respectively, to the Solazyme Bunge JV. During the six months ended June 30, 2015, the Company contributed $ 3.8 million to the Solazyme Bunge JV through a reduction in the Company's receivables due from the Solazyme Bunge JV of $ 3.8 million .

The Company's capital contributions paid in cash were recorded as an increase to investment in unconsolidated joint venture and a corresponding decrease to cash and cash equivalents.

The Company has determined that the Solazyme Bunge JV is a VIE based on the insufficiency of each party's equity investment at risk to absorb losses and the Company's share of the respective expected losses of the Solazyme Bunge JV. Currently, the optimization and ramping up of the Solazyme Bunge JV Plant is the activity of the Solazyme Bunge JV that most significantly impacts its economic performance. Although the Company has the obligation to absorb losses and the right to receive benefits of the Solazyme Bunge JV that could potentially be significant to the Solazyme Bunge JV, each of the Company and Bunge has equally shared decision-making powers over certain significant activities of the Solazyme Bunge JV, including those related to the construction, optimization and ramping up of the Solazyme Bunge JV Plant. Therefore, the Company does not consider itself to be the Solazyme Bunge JV's primary beneficiary at this time, and as such has not consolidated the financial results of the Solazyme Bunge JV since the inception of this joint venture. The Company accounts for its interest in the Solazyme Bunge JV under the equity method of accounting. This consolidation status could change in the future due to changes in events and circumstances impacting the power to direct the activities that most significantly affect the Solazyme Bunge JV's economic performance. The Company will continue to reassess its potential designation as the primary beneficiary of the Solazyme Bunge JV. During the three and six months ended June 30, 2015, the Company recognized $7.3 million and $12.4 million of losses related to its equity method investment in the Solazyme Bunge JV, respectively. During the three and six months ended June 30, 2014, the Company recognized $4.3 million and $8.1 million of losses related to its equity method investment in the Solazyme Bunge JV, respectively.

In anticipation of the Solazyme Bunge JV's formation, in May 2011, the Company granted Bunge a warrant (the "Bunge Warrant") to purchase 1,000,000 shares of its common stock at an exercise price of $13.50 per share. The Company accounted for the Bunge Warrant pursuant to FASB ASC 505-50, *Equity-Based Payments to Non-Employees* , which establishes that share-based payment transactions with nonemployees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued (whichever is more reliably measurable), and the measurement date of such instruments shall be the earlier of the date at which a commitment for performance by the counterparty is reached or the date at which the counterparty's performance is complete. As of June 30, 2015, the Company had no warrant liability associated with the Bunge Warrant shares as the third tranche of 250,000 shares could no longer vest. The Company recorded no gain or loss related to the change in the fair value of the warrant liability and a net unrealized gain of $0 and $0.7 million during the three month and six months ended June 30, 2014, respectively. As of June 30, 2015, 750,000 of the Bunge Warrant shares had vested.

In addition to forming the Solazyme Bunge JV in April 2012, the Company entered into a Development Agreement with the Solazyme Bunge JV to continue to conduct research and development activities that are intended to benefit the Solazyme Bunge JV, including activities in the areas of strain development, molecular biology and process development. The Development Agreement provides that the Solazyme Bunge JV will pay the Company a technology maintenance fee in recognition of the Company's ongoing research investment in technology that would benefit the Solazyme Bunge JV. The Company also entered into a Technology Service Agreement with the Solazyme Bunge JV under which the Solazyme Bunge JV pays the Company for technical services related to the operations of the production facility. In the third quarter of 2013, the Solazyme Bunge JV also agreed to pay the Company to support the Solazyme Bunge JV's commercial activities, including, but not limited to, facilitating supply agreements on behalf of the Solazyme Bunge JV and providing regulatory support.

In February 2013, the Solazyme Bunge JV entered into a loan agreement with the Brazilian Development Bank ("BNDES" or "BNDES Loan") under which it may borrow up to R $245.7 million (approximately USD $77.8 million based on the exchange rate as of June 30, 2015). As a condition of the Solazyme Bunge JV drawing funds under the loan, the Company may be required to provide a bank guarantee equal to 14.39% of the total amount available under the BNDES Loan and a corporate guarantee equal to 35.71% of the total amount available under the BNDES Loan (not to exceed the Company's ownership percentage in the Solazyme Bunge JV). The BNDES funding has supported the construction of the Solazyme Bunge JV's first commercial-scale production facility in Brazil, reducing the capital requirements funded directly by the Company and Bunge. The term of the BNDES Loan is eight years and the loan has an average interest rate of approximately 4.0% per annum. As of June 30, 2015, the Company's bank guarantee was in place and the corporate guarantee was not in place. The fees incurred on the cancelable bank guarantee were not material during the three and six months ended June 30, 2015.

The following table summarizes the carrying amounts of the assets and the fair value of the liabilities included in the Company's condensed consolidated balance sheet and the maximum loss exposure related to the Company's interest in its unconsolidated VIE (the Solazyme Bunge JV) as of June 30, 2015 (in thousands):

| | Assets | | | Liabilities | |
|---|---|---|---|---|---|
| VIE | Accounts Receivable | Unbilled Revenues | Investment in Unconsolidated Joint Venture | Loan Guarantee | Maximum Exposure to Loss (1) |
| Solazyme Bunge JV | $ 12 | $ 839 | $ 39,304 | $ — | $ 51,889 |

(1) Includes maximum exposure to loss attributable to the Company's bank guarantee required to be provided for the Solazyme Bunge JV of R $35.4 million (approximately $11.2 million based on the exchange rate at June 30, 2015) and non-cancelable purchase obligations of R $1.7 million (approximately $0.5 million based on the exchange rate at June 30, 2015).

The Company may be required to contribute additional capital to the VIE (for which the Company does not consider itself to be the primary beneficiary) in the future, which would increase the Company's maximum exposure to loss. These future contribution amounts cannot be quantified at this time.

Summarized information on the Solazyme Bunge JV's balance sheets and income statements as of June 30, 2015 and December 31, 2014 and for the three month and six months ended June 30, 2015 and 2014, respectively, was as follows (in thousands):

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Current assets | $ 8,868 | $ 4,339 |
| Noncurrent assets | 138,951 | 161,751 |
| Total assets | $ 147,819 | $ 166,090 |
| Current liabilities | 34,933 | 24,881 |
| Noncurrent liabilities | 57,579 | 78,666 |
| JV's partners' capital, net | 55,307 | 62,543 |
| Total liabilities and partners' capital, net | $ 147,819 | $ 166,090 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net sales | $ 401 | $ — | $ 658 | $ — |
| Net losses | $ (13,407) | $ (7,229) | $ (23,175) | $ (12,830) |

***Related Party Transactions***

The Company recognized revenues related to its research and development arrangements with the Solazyme Bunge JV of $1.1 million and $2.0 million in the three and six months ended June 30, 2015, respectively, and $3.4 million and $6.9 million in the three and six months ended June 30, 2014, respectively. The Company also recognized product revenues from sales to the Solazyme Bunge JV of $1.2 million during the three and six months ended June 30, 2015 and $1.3 million during the three and six months ended June 30, 2014. As of June 30, 2015 and December 31, 2014, the Company had receivables of $12,000 and $0.4 million , respectively, due from the Solazyme Bunge JV. As of June 30, 2015 and December 31, 2014, the Company had unbilled revenues of $0.8 million and $2.4 million , respectively, related to the Solazyme Bunge JV.

## 12. ACCRUED LIABILITIES

Accrued liabilities consisted of the following (in thousands):

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Accrued compensation and related liabilities | $ 5,891 | $ 6,956 |
| Accrued interest | 3,494 | 3,495 |
| Accrued professional fees | 400 | 417 |
| Accrued restructuring costs | 47 | 1,348 |
| Accrued costs under the Collaboration Agreement | 451 | 476 |
| Other accrued liabilities | 548 | 1,387 |
| Total accrued liabilities | $ 10,831 | $ 14,079 |

## 13. COLLABORATIVE RESEARCH AND DEVELOPMENT AGREEMENTS, GOVERNMENT PROGRAMS AND LICENSES

***Unilever*** —Effective November 2009, the Company entered into a collaborative research and development agreement with Conopco, Inc. (doing business as Unilever) to develop oil for use in soap and other products. The Company completed the research and development under this agreement in the year ended December 31, 2010. In the first quarter of 2011, the Company and Unilever agreed to extend their research and development agreement through June 30, 2011.

In October 2011, the Company entered into a joint development agreement with Unilever (the Company's fourth agreement with Unilever), which expanded its current research and development efforts. In September 2013, the Company and Unilever entered into a commercial supply agreement for at least 10,000 MT of the Company's algal oil, and in September 2014, the Company and Unilever agreed to extend the joint development agreement through September 30, 2015.

***Algenist® Distribution Partners*** —The Company entered into a distribution contract with Sephora S.A. (Sephora EMEA) in December 2010 to distribute the Algenist® product line in Sephora stores in certain countries in Europe and select countries in the Middle East and Asia. In January 2011, the Company also entered into a distribution arrangement with Sephora USA, Inc. (Sephora Americas) to sell the Algenist® product line in the Sephora Americas stores (which currently includes locations in the United States and Canada). Under both arrangements, the Company pays the majority of the costs associated with marketing the products, although both Sephora EMEA and Sephora Americas contribute in the areas of public relations, training and marketing to support the brand. Sephora EMEA creates the marketing material, but the Company has an approval right over the materials and ultimately the Company has control over the marketing budget. With Sephora Americas, the Company is responsible for creating certain marketing and training materials. The Company is obligated to fund minimum marketing expenditures under the agreement with Sephora EMEA. The Company has also granted a license to Sephora Americas and Sephora EMEA to use the Algenist® trademarks and logos to advertise and promote the product line. In March 2011, the Company entered into an agreement with QVC, Inc. ("QVC") and launched the sale of its Algenist® product line through QVC's multimedia platform. In July 2014, the Company entered into an agreement with ULTA Beauty to sell the Algenist® line in its retail stores throughout the United States.

***Bunge*** —In May 2011, the Company entered into a joint development agreement ("JDA") with Bunge, a global agribusiness and food company, that extended through May 2013. In September 2013, the Company and Bunge agreed to extend the JDA, effective from May 2013 through September 2014. Pursuant to the JDA, the Company and Bunge jointly developed microbe-derived oils and explored the production of such oils from Brazilian sugarcane feedstock. The JDA also provided for Bunge to provide research funding to the Company through September 2014, payable quarterly in advance throughout the research term. The Company accounted for the JDA as an obligation to perform research and development services for others in accordance with FASB ASC 730-20, *Research and Development Arrangements* , and recorded the payments for the performance of these services as revenue in its condensed consolidated statement of operations. The Company recognized revenue on the JDA based on proportionate performance of actual efforts to date relative to the amount of expected effort incurred. The cumulative amount of revenue recognized under the JDA was limited by the amounts the Company was contractually obligated to receive as cash reimbursements. In March 2015, the Company entered into an additional JDA with Bunge to jointly develop a unique food ingredient. The additional JDA also stipulates that Bunge will provide research funding to the Company through December 2018, payable quarterly in advance throughout the research term.

In April 2012, the Company and Bunge entered into a Joint Venture Agreement forming a joint venture to build, own and operate a commercial-scale renewable algal oils production facility adjacent to Bunge's Moema sugarcane mill in Brazil (see Note 11).

***ADM*** —In November 2012, the Company and ADM entered into the Collaboration Agreement, establishing a collaboration for the production of algal triglyceride oil products at the Clinton Facility. In January 2014, the Company began commercial scale production of its products at the Clinton Facility using the Company's proprietary microbe-based catalysis technology. Feedstock for the facility is provided by ADM's adjacent wet mill. Under the terms of the Collaboration Agreement, the Company pays ADM annual fees for use and operation of a portion of the Clinton Facility, a portion of which may be paid in Company common stock. In March 2013, the Company issued a series of warrants to ADM for payment in stock, in lieu of cash, at its election, of future annual fees for use and operation of a portion of the Clinton Facility. Downstream processing of products produced at the Clinton Facility is being done at a facility in Galva, Iowa ("Galva Facility") operated by a wholly owned subsidiary of American Natural Processors, Inc. The parties are also working together to develop markets for the products produced at the Clinton Facility.

In January 2013, the Company granted to ADM a warrant ("ADM Warrant") to purchase 500,000 shares of the Company's common stock, which vests in equal monthly installments over five years , commencing in November 2013. In addition, the Company shall grant to ADM a warrant ("ADM Extension Warrant") covering an additional 500,000 shares of the Company's common stock upon the extension of the Collaboration Agreement for each further five year term, which shall vest in equal monthly installments over the applicable five year extension term. The measurement date of the ADM Warrant was established in July 2013 when the Company agreed that vesting of the ADM Warrant would commence in November 2013; therefore, it was determined that the future performance to earn the ADM Warrant shares was probable. The Company recognizes on a straight-line basis, the fair value of the ADM Warrant to rent expense beginning on the measurement date and over the lease term.

The Company recorded rent expense related to the ADM Warrant of $30,000 and $51,000 during the three and six months ended June 30, 2015, respectively, and $0.2 million and $0.3 million during the three and six months ended June 30, 2014, respectively, which is equal to the estimated fair value of the ADM Warrant shares that had vested over the lease term since the measurement date. The estimated fair value of the ADM Warrant shares that had vested was determined using the Black-Scholes option pricing model based upon the following assumptions during the six months ended June 30, 2015 and 2014:

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| Average volatility | 77% | 55% |
| Average risk-free interest rate | 1.5% | 1.6% |
| Exercise price | $7.17 | $7.17 |
| Average stock price | $2.86 | $11.38 |
| Average expected remaining life | 3.8 | 4.8 |

As of June 30, 2015, 166,666 of the ADM Warrant shares had vested.

***Mitsui—*** In February 2013, the Company entered into a $20.0 million multi-year agreement with Mitsui & Co., Ltd. ("Mitsui") to jointly develop a suite of triglyceride oils for use primarily in the oleochemical industry. Product development is expected to span a multi-year period, with periodic product introductions throughout the term of the joint development alliance. End use application may include renewable, high-performance polymer lubricants and other industrial products. Milestones within the Mitsui joint development agreement that are determined to be substantive and at risk at the inception of the arrangement are recognized as revenue upon achievement of the milestone, and are limited to those amounts for which collectability is reasonably assured. If these conditions are not met, the milestone payments are deferred and recognized as revenue over the estimated period of performance under the contract as completion of performance obligations occur. The Company recognized $0.5 million and $2.1 million of revenue related to substantive milestones achieved under the Mitsui joint development agreement during the three and six months ended June 30, 2015, respectively and $1.5 million of revenue related to substantive milestones achieved under the Mitsui joint development agreement during the three and six months ended June 30, 2014.

***AkzoNobel—*** In May 2013, the Company entered into a joint development agreement with AkzoNobel, a leading global paints and coatings company and a major producer of specialty chemicals, targeting the development and commercial sales of triglyceride oils for use by AkzoNobel in its surface chemistry and decorative paints businesses. Product development efforts began in the second half of 2013, and in July 2014 the Company entered into a research and development plan with AkzoNobel which extends through June 2017.

***Flotek—*** In March 2015, the Company entered into agreements with certain Flotek Industries Inc. affiliates (Flotek) to jointly commercialize Flocapso™, a drilling fluid additive, and to allow Flotek to market the Company's Encapso™ product in certain Middle Eastern markets.

**14. DEBT**

A summary of the Company's debt as of June 30, 2015 and December 31, 2014 is as follows (in thousands):

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Secured and unsecured debt | | |
| Equipment note | $ — | $ 6 |
| Total secured and unsecured debt | — | 6 |
| Convertible senior subordinated notes | 211,133 | 211,132 |
| Total debt | 211,133 | 211,138 |
| Add: | | |
| Fair value of embedded derivative | 232 | 83 |
| Less: | | |
| Unamortized debt discount | (9,957) | (11,124) |
| Current portion of debt | — | (6) |
| Long-term portion of debt | $ 201,408 | $ 200,091 |

Total interest costs incurred related to the Company's total debt were $2.8 million and $5.6 million for the three and six months ended June 30, 2015, respectively, and $3.1 million and $4.4 million for the three and six months ended June 30, 2014, respectively. Total interest costs capitalized during the three and six months ended June 30, 2015 were $0 , and $0.3 million and $0.6 million for the three and six months ended June 30, 2014, respectively, related to the Company's investment in the Solazyme Bunge JV, accounted for under the equity method, which had activities in progress necessary to commence its planned principal operations through May 2014. The Company was in compliance with all debt covenants as of June 30, 2015 and December 31, 2014.

***HSBC Facility*** —In March 2013, the Company entered into a loan and security agreement with HSBC Bank, USA, National Association ("HSBC") that provides for a $30.0 million revolving facility (the "HSBC facility") for working capital, letters of credit denominated in U.S. dollars or a foreign currency and other general corporate purposes, and in May 2013 the Company entered into an amendment to the HSBC facility, increasing the HSBC facility amount to $35.0 million . On March 26, 2013, the Company drew down approximately $10.4 million under the HSBC facility to repay all outstanding loans plus accrued interest on another facility. The Company incurred debt issuance costs of approximately $0.2 million related to this draw down, that was recorded in other long-term assets and is being amortized to interest expense using the effective interest method over the contractual term of the loan. On June 27, 2014, the remaining outstanding balance of the HSBC facility was paid in full. A portion of the HSBC facility also supports the bank guarantee issued to BNDES in May 2013 (see Note 11). Therefore, approximately $23.8 million of the HSBC facility remained available as of June 30, 2015.

The HSBC facility is unsecured unless (i) the Company takes action that could cause or permit obligations under the HSBC facility not to constitute Senior Debt (as defined in the indenture), (ii) the Company breaches financial covenants that require the Company and its subsidiaries to maintain cash and unrestricted cash equivalents at all times of not less than $35.0 million plus 110% of the aggregate dollar equivalent amount of outstanding advances and letters of credit under the HSBC facility, or (iii) there is a payment default under the facility or bankruptcy or insolvency events relating to the Company.

Advances under the HSBC facility will bear interest at a variable interest rate based on, at the Company's option at the time an advance is requested, either (i) the Base Rate (as defined in the HSBC facility) plus the applicable Base Rate Margin (as defined in the HSBC facility), or (ii) the Eurodollar Rate (as defined in the HSBC facility) plus the applicable Eurodollar Rate Margin (as defined in the HSBC facility). The Company pays HSBC a fee of two and one-half percent ( 2.50% ) per annum with respect to letters of credit issued. Upon an event of default, outstanding obligations under the HSBC facility will bear interest at a rate of two percent ( 2.00% ) per annum above the rates described in (i) and (ii) above. The original maturity date of the facility was March 26, 2015, which was extended to May 31, 2016 effective in March 2014. If on the maturity date (or earlier termination date of the HSBC facility), there are any outstanding letters of credit, the Company will be required to provide HSBC with cash collateral in the amount of (i) for letters of credit denominated in U.S. dollars, up to one hundred five percent ( 105% ), and (ii) for letters of credit denominated in a foreign currency, up to one hundred ten percent ( 110% ), of the dollar equivalent of the face amount of all such letters of credit plus all interest, fees and costs.

In addition to the financial covenants and covenants related to the indenture referenced above, the Company is subject to customary affirmative and negative covenants and events of default under the HSBC facility including certain restrictions on borrowing. If an event of default occurs and continues, HSBC may declare all outstanding obligations under the HSBC facility immediately due and payable, with all obligations being immediately due and payable without any action by HSBC upon the occurrence of certain events of default or if the Company becomes insolvent.

***Convertible Senior Subordinated Notes*** —On January 24, 2013 the Company issued $125.0 million aggregate principal amount of 2018 Notes, which amount includes the exercise in full of the over-allotment option granted to the initial purchaser of the 2018 Notes, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2018 Notes bear interest at a fixed rate of 6.00% per year, payable semiannually in arrears on August 1 and February 1 of each year, beginning on August 1, 2013 . The 2018 Notes are convertible into the Company's common stock and may be settled as described below. The 2018 Notes will mature on February 1, 2018, unless earlier repurchased or converted. The Company may not redeem the 2018 Notes prior to maturity.

The 2018 Notes are convertible at the option of the holders at any time prior to the close of business on the scheduled trading day immediately preceding February 1, 2018 into shares of the Company's common stock at the then-applicable conversion rate. The conversion rate is initially 121.1240 shares of common stock per $1,000 principal amount of 2018 Notes (equivalent to an initial conversion price of approximately $8.26 per share of common stock). With respect to any conversion prior to November 1, 2016 (other than conversions in connection with certain fundamental changes where the Company may be required to increase the conversion rate as described below), in addition to the shares deliverable upon conversion, holders are entitled to receive an early conversion payment equal to $83.33 per $1,000 principal amount of 2018 Notes surrendered for conversion that may be settled, at the Company's election, in cash or, subject to satisfaction of certain conditions, in shares of the Company's common stock.

On June 19, 2014, the Company entered into note exchange agreements (the "Exchange Agreements") with certain holders of the 2018 Notes pursuant to which such holders agreed to exchange approximately $17.5 million in aggregate principal amount of their 2018 Notes, together with accrued interest thereon through the settlement date of the Exchange Agreements, with the Company for 2,409,964 shares of the Company's common stock. The Exchange Agreements settled on June 30, 2014. As the Exchange Agreements were considered induced conversions under the applicable accounting guidance, the Company recognized $1.8 million of debt conversion expense reflected in interest expense in the condensed consolidated statements of operations during the year ended December 31, 2014, representing the fair value of the securities transferred in excess of the fair value of the securities issuable upon the original conversion terms of the 2018 Notes. Through June 30, 2015, $63.4 million of the 2018 Notes were converted into the Company's common stock and were reclassified from long-term debt to stockholders' equity in the condensed consolidated balance sheets. During the three and six months ended June 30, 2015 there were no 2018 Note conversions or any early conversion payments made by the Company. The Company had $61.6 million aggregate principal amount of 2018 Notes outstanding as of June 30, 2015.

On April 1, 2014, the Company issued $149.5 million aggregate principal amount of 5.00% Convertible Senior Subordinated 2019 Notes, which amount includes the exercise in full of the over-allotment option granted to the underwriters, in a public offering pursuant to an effective shelf registration statement. The 2019 Notes bear interest at a fixed rate of 5.00% per year, payable semiannually in arrears on April 1 and October 1 of each year, beginning on October 1, 2014 . The 2019 Notes are convertible into the Company's common stock and may be settled early as described below. The 2019 Notes will mature on October 1, 2019, unless earlier repurchased or converted. The Company may not redeem the 2019 Notes prior to maturity.

The 2019 Notes are convertible at the option of the holders on any day prior to and including the scheduled trading day prior to October 1, 2019. The 2019 Notes will initially be convertible at a conversion rate of 75.7576 shares of Common Stock per $1,000 principal amount of 2019 Notes (equivalent to an initial conversion price of $13.20 per share of Common Stock), subject to adjustment upon the occurrence of certain events. With respect to any conversion prior to January 1, 2018 (other than conversions in connection with certain fundamental changes where the Company may be required to increase the conversion rate as described below), in addition to the shares deliverable upon conversion, holders are entitled to receive an early conversion payment equal to $83.33 per $1,000 principal amount of 2019 Notes surrendered for conversion that may be settled, at the Company's election, in cash or shares of Common Stock. The Company had $149.5 million aggregate principal amount of 2019 Notes outstanding as of June 30, 2015.

The net proceeds from both Note offerings were approximately $262.6 million , after deducting discounts to the initial purchaser of $10.9 million and debt issue costs of $1.0 million . Debt discounts incurred with the issuance of the Notes were recorded on the condensed consolidated balance sheets as a reduction to the associated Note balances. The Company amortizes the debt discounts to interest expense over the contractual or expected term of the Notes using the effective interest method. Debt issuance costs were recorded in other long-term assets and are being amortized to interest expense over the contractual or expected term of the Notes using the effective interest method.

If the Company undergoes a fundamental change, holders may require the Company to repurchase for cash all or part of their Notes at a purchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. In addition, if certain fundamental changes occur, the Company may be required in certain circumstances to increase the conversion rate for any Notes converted in connection with such fundamental changes by a specified number of shares of its common stock.

The Company evaluated the embedded derivatives resulting from the early conversion payment features within the indenture for bifurcation from the Notes. The early conversion payment features were not deemed clearly and closely related to the Notes and were bifurcated as embedded derivatives. The Company recorded these embedded derivatives (derivative liabilities) at fair value, which are included as a component of Convertible Debt on its condensed consolidated balance sheets with corresponding debt discounts that are netted against the principal amount of the Notes. The derivative liabilities are remeasured to fair value at each balance sheet date, with a resulting non-cash gain or loss related to the change in the fair value of the derivative liabilities being recorded in other income and expense. The Company determined the fair value of the embedded derivatives using a Monte Carlo simulation model. See Note 8.

The Notes are the general unsecured obligations of the Company and will be subordinated in right of payment to any senior debt outstanding. The Notes will be equal or senior in right of payment to any of the Company's indebtedness other than senior debt. The Notes will effectively rank junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and be structurally junior to all indebtedness and other liabilities of the Company's subsidiaries, including trade payables.

**15. COMMITMENTS AND CONTINGENCIES**

***Operating Lease Agreements*** —The Company records rent expense under its lease agreements on a straight-line basis. Differences between actual lease payments and rent expense recognized under these leases results in a deferred rent asset or a deferred rent liability at each reporting period. The Company had a deferred rent liability of $5.8 million and $2.5 million as of as of June 30, 2015 and December 31, 2014, respectively. Rent expense was $2.9 million and $5.7 million for the three and six months ended June 30, 2015, respectively, and $2.6 million and $5.1 million for the three and six months ended June 30, 2014, respectively.

***Contractual Obligations*** —As of June 30, 2015 the Company had non-cancelable purchase obligations of $0.6 million .

The Company has various manufacturing, research, and other contracts with vendors in the conduct of the normal course of its business. All contracts are terminable with varying provisions regarding termination. If a contract with a specific vendor were to be terminated, the Company would only be obligated for the products or services that the Company had received at the time the termination became effective.

***Guarantees and Indemnifications*** —The Company makes certain indemnities, commitments, and guarantees under which it may be required to make payments in relation to certain transactions. The Company, as permitted under Delaware law and in accordance with its amended and restated certificate of incorporation and amended and restated bylaws, indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The duration of these indemnifications, commitments, and guarantees varies and, in certain cases, is indefinite. The maximum amount of potential future indemnification is unlimited; however, the Company has a director and officer insurance policy that may enable it to recover all or a portion of any future amounts paid. The Company believes the fair value of these indemnification agreements is minimal. The Company has not recorded any liability for these indemnities in the accompanying condensed consolidated balance sheets. However, the Company accrues for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable. No such losses have been recorded to date.

In February 2013, the Solazyme Bunge JV entered into a loan agreement with BNDES under which it may borrow up to R$245.7 million (approximately USD $77.8 million based on the exchange rate as of June 30, 2015), which has supported the production facility in Brazil, including a portion of the construction costs of the facility. As a condition of the Solazyme Bunge JV drawing funds under the BNDES Loan, the Company may be required to provide a bank guarantee and a corporate guarantee for a portion of the BNDES Loan (in an amount not to exceed its ownership percentage in the Solazyme Bunge JV). As of June 30, 2015 the bank guarantee was in place and the corporate guarantee was not. See also Note 11.

***Legal Matters***

*Securities Class Action Litigation*

In June 2015, a securities class action complaint entitled Norfolk County Retirement System v. Solazyme, Inc. et al. was filed against the Company, its CEO, Jonathan Wolfson, its CFO/COO, Tyler Painter, certain of its current and former directors, and the underwriters of its March 2014 equity and debt offerings, Goldman, Sachs & Co., Inc. and Morgan Stanley & Co. LLC, in the U.S. District Court for the Northern District of California. The complaint asserts claims for alleged violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1934, as well as Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The complaint seeks unspecified damages on behalf of a purported class that would comprise all individuals who acquired the Company's securities (i) between February 27, 2014 and November 5, 2014 and (ii) pursuant and/or traceable to the Company's public equity and debt offerings in March 2014. The complaint alleges that investors were misled by statements made during that period about the construction progress, development, and production capacity associated with the production facility located in Brazil owned by the Company's joint venture, Solazyme Bunge Produtos Renovaveis Ltda. The Company believes the complaint lacks merit, and intends to defend itself vigorously.

*Derivative Litigation*

In July 2015, a complaint entitled Jim Bertonis, derivatively on behalf of Solazyme, Inc. v. Jonathan Wolfson et al. was filed in the Superior Court of California, County of San Mateo. The complaint seeks unspecified damages, purportedly on behalf of the Company from certain of its current and former directors and officers and alleges these defendants breached their fiduciary duties to the Company and unjustly enriched themselves by making allegedly false and misleading statements and omitting certain material facts in the Company's securities filings and other public disclosures. This purported stockholder derivative action is based on substantially the same facts as the securities class action described above. Based on a review of the plaintiffs' allegations, the Company believes that the plaintiff has not demonstrated standing to sue on its behalf.

*Roquette Frères, S.A.*

On November 3, 2010 , the Company entered into a joint venture with Roquette Frères, S.A. ("Roquette"), and formed Solazyme Roquette Nutritionals, LLC ("SRN"), which was 50% owned by the Company and 50% owned by Roquette. The purpose of SRN was to pursue certain opportunities in microalgae-based products for the food, nutraceuticals and animal feed markets. The Company determined that this joint venture was a VIE and the Company was not required to consolidate its 50% ownership in this joint venture. Therefore, this joint venture was accounted for under the equity method of accounting. In June 2013, the Company and Roquette agreed to dissolve SRN and on July 18, 2013 , SRN was dissolved.

In September 2013, an arbitration was initiated with Roquette (the "Roquette Arbitration") in connection with the dissolution of SRN. The Company sought a declaration that, in accordance with the terms of the joint venture agreement between the parties, the Company should be assigned all improvements made by or on behalf of SRN to the Company's intellectual property. On February 19, 2015 the arbitration panel released its decision, ordering, inter alia, the assignment to the Company of (i) all SRN patent applications, (ii) all SRN know-how related to high lipid algal flour and high protein algal powder and (iii) all Roquette patent applications filed since November 2010 relating to algal food and food ingredients, as well as methods for making and using them. In addition, the arbitration panel ordered Roquette to pay to the Company, $2.3 million in legal costs and fees.

In November 2014, Roquette filed an action against the Company in U.S. District Court for the District of Delaware for declaratory judgment related to the Roquette Arbitration. Roquette seeks a declaration that (i) the arbitrators in the Roquette Arbitration exceeded their authority by failing to render a timely arbitration award, (ii) the award issued by the arbitrators is void and (iii) all intangible assets of SRN should be assigned jointly to Roquette and the Company. The Company filed an Answer to the Complaint in January 2015, denying substantially all of Roquette's claims and all of its prayers for relief. In April 2015, Roquette filed a motion for summary judgment in the action.

In February 2015, Roquette filed a second action against the Company in U.S. District Court for the District of Delaware for declaratory judgment related to the Roquette Arbitration. Roquette seeks a declaration that (A) the order of the arbitrators in the Roquette Arbitration for more discovery and new hearings is unenforceable and (B) in the alternative, the new discovery and hearings concerned an issue that is outside the scope of the arbitration. In February 2015, the two Delaware declaratory judgment actions were consolidated. The Company filed its Answer to the second Complaint in February 2015, denying all claims made in the Complaint and all related prayers for relief. In addition, the Company cross-claimed for (x) confirmation of the arbitration award, (y) an order compelling Roquette to comply with the arbitration award and (z) damages for misappropriation of the Company's trade secrets, misuse of the Company's confidential information and breach of contract. In April 2015, Roquette filed a motion for summary judgment in the action.

In March 2015 the Company filed a motion for an order confirming the award rendered in the Roquette Arbitration. In response, in April 2015, Roquette filed a motion to vacate the arbitration award, which included counterclaims alleging Company misuse of Roquette trade secrets.

In March 2015, the Company filed a motion for a preliminary injunction preventing Roquette's continued use of trade secrets misappropriated from the Company.

A hearing on the main motions pending in the Delaware proceedings (including the Company's motion for preliminary injunction) was held on July 28, 2015. A decision on the outcome of the motions is pending.

The Company may be involved, from time to time, in additional legal proceedings and claims arising in the ordinary course of its business. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. While there can be no assurances as to the ultimate outcome of any legal proceeding or other loss contingencies involving the Company, management does not believe any pending matters individually and in the aggregate will be resolved in a manner that would have a material effect on the Company's consolidated financial position, results of operations or cash flows.

**16. STOCK-BASED COMPENSATION AND COMMON STOCK**

The Company's stock-based compensation plans include the Second Amended and Restated Equity Incentive Plan (the "2004 EIP"), the 2011 Equity Incentive Plan (the "2011 EIP") and the Employee Stock Purchase Plan (the "2011 ESPP"). On May 25, 2011, in conjunction with the Company's initial public offering, the 2004 EIP terminated so that no further awards may be granted under the 2004 EIP. Although the 2004 EIP terminated, all outstanding awards will continue to be governed by their existing terms. The plans are administered by the Board of Directors, which selects persons to receive awards and determines the number of shares subject to each award and the terms, conditions, performance measures and other provisions of the award. The Board of Directors has delegated certain authority to the Compensation Committee with respect to administration of the plans. See Note 14 to the Company's Consolidated Financial Statements, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, for additional information related to these stock-based compensation plans.

The following table summarizes the components and classification of stock-based compensation expense related to stock options, restricted stock units and awards ("RSUs" and "RSAs"), performance-based restricted stock units ("PSUs") and the 2011 ESPP for the three and six months ended June 30, 2015 and 2014 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Stock options | $ 3,208 | $ 4,155 | $ 5,455 | $ 8,331 |
| RSUs/RSAs | 1,334 | 1,574 | 3,111 | 3,916 |
| ESPP | 177 | 67 | 222 | 158 |
| Stock-based compensation expense | $ 4,719 | $ 5,796 | $ 8,788 | $ 12,405 |
| Research and development | $ 1,473 | $ 1,910 | $ 2,585 | $ 3,730 |
| Sales, general and administrative | 3,246 | 3,886 | 6,203 | 8,675 |
| Stock-based compensation expense | $ 4,719 | $ 5,796 | $ 8,788 | $ 12,405 |

***Common Stock Warrants*** —In May 2011, the Company granted Bunge a warrant to purchase 1,000,000 shares of the Company's common stock at an exercise price of $13.50 per share. As of June 30, 2015, 750,000 of the warrant shares had vested and the remaining 250,000 warrant shares could no longer vest. Refer to Note 11 for a discussion of the accounting for the Bunge Warrant.

In January 2013, the Company granted ADM a warrant to purchase 500,000 shares of the Company's common stock at an exercise price of $7.17 per share. The warrant vests in equal monthly installments over five years , commencing in November 2013 and the warrant expires in January 1, 2019. As of June 30, 2015, 166,666 of the warrant shares had vested. See Note 13.

***Performance-Based Restricted Stock Units*** —During the three months ended March 31, 2014, 100,000 shares of unvested performance-based restricted stock units ("PSUs") were canceled and there were no shares of unvested PSUs as of December 31, 2014. No additional PSUs were granted during the six months ended June 30, 2015.

***Common Stock Offering*** —On April 1, 2014, the Company issued 5,750,000 shares of its common stock, par value $0.001 per share, at $11.00 per share in an underwritten public offering (the "Common Stock Offering"). The net proceeds from the Common Stock Offering were approximately $59.3 million , after deducting underwriter discounts and commissions and estimated offering expenses payable by the Company.

***Employee Stock Option Exchange Program*** —In January 2015, the Company commenced an exchange offer to allow employees the opportunity to exchange, on a grant-by-grant basis, their outstanding eligible options that had an exercise price per share equal to or greater than $6.79 for new stock options on a two-for-one basis that the Company granted under its 2011 EIP. Generally, all employees with options were eligible to participate in the program, which expired at 9:00 p.m. Pacific Time on February 18, 2015. Non-employee members of Solazyme's Board of Directors were not eligible to participate. Each new stock option has an exercise price of $2.58 , the last reported sale price per share of Solazyme common stock on the NASDAQ Global Select Market on the new stock option grant date, which was February 19, 2015.

Each new stock option has a maximum term that is equal to the remaining term of the corresponding eligible option. Each new stock option has the same final vesting date as the corresponding eligible option. Each new stock option has the same rate of vesting, from the same vesting commencement date, as the corresponding eligible option, provided that any vesting that would have occurred prior to January 1, 2016 cumulates and cliff vests on January 1, 2016. This is the case even if the eligible options were fully vested on the date of the exchange. The optionee must be employed by the Company on January 1, 2016 to benefit from this new option cliff vest.

On February 19, 2015, the Company granted new options to eligible options holders to purchase 2,745,279 shares of common stock in exchange for the cancellation of the tendered options. The Company will record a charge of approximately $0.5 million associated with the stock option modification over the vesting periods of the new options which range from ten months to four years . This modification charge was recorded as additional stock-based compensation expense beginning in the first quarter of 2015. This modification charge is estimated using an exchange price of $2.58 .

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

### Forward-Looking Statements

*The following discussion and analysis should be read together with our condensed consolidated financial statements and the other financial information appearing elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements reflecting our current expectations and involves risks and uncertainties. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," "potential" or "continue" or the negative of these terms or other comparable terminology. For example, statements regarding our expectations as to future financial and operating performance, future selling prices and margins for our products, attributes and performance of our products, manufacturing capacity, expense levels and liquidity sources are forward-looking statements. Our actual results and the timing of events may differ materially from those discussed in our forward-looking statements as a result of various factors, including those discussed below and those discussed in the section entitled "Risk Factors" included in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission (SEC).*

### Overview

Starting with microalgae, we create new, sustainable, high-performance products. Our proprietary technology uses highly optimized microalgae in an industrial fermentation process to transform a range of abundant plant-based sugars into high-value triglyceride oils and other bioproducts.

We tailor the composition of our oils and bioproducts to address specific customer requirements, via a renewable pathway, by replacing or improving intermediates and ingredients in major markets currently served by conventional oils and specialty markets. We are commercializing our primary products as either Intermediates/Ingredients that include branded products such as Encapso ™, AlgaVia ™ Lipid Powder and AlgaVia ™ Protein, or as Personal Care Products that include branded products such as Algenist ® skin and personal care products, targeted at customers in the: (1) Industrial Products, (2) Food Products, and (3) Personal Care Products markets. Algenist ® skin and personal care line is formulated with our proprietary ingredients, Alguronic Acid ® and Microalgal Oil, which is incorporated into a full-range of branded skin and personal care products.

In the first quarter of 2011, we began selling our consumer-focused Algenist ® skin and personal care line in the Personal Care Products market. In the first quarter of 2014, we began manufacturing at commercial production scale, and we began selling intermediate and ingredient products. We expect to sell these intermediate and ingredients products broadly to customers in the Industrial Products and Food Products markets. We expect the average margins on these intermediate and ingredient

products will be lower than those of our consumer-focused personal care products; however, we believe the sales volumes for the intermediate and ingredient products will be higher as we expand our large scale production. We have entered into sales and partnership agreements to advance commercialization efforts of our intermediate and ingredient products. In addition to development agreements to fund development work and new product application testing, we expect that our partners will enter into long-term purchase agreements with us. We are currently engaged in development activities with multiple partners.

The inherent flexibility of our technology platform and the broad usage of triglyceride oils across multiple industries allow us to approach a wide range of customers across myriad end markets. We have many oils in various stages of development that can address multiple end industrial markets.

We are also developing food oils and powdered ingredients targeted at the Food Products market. Our food oils are formulated to offer a variety of functional benefits such as enhanced structuring capabilities and stability while providing robust formulation and process flexibility. In addition, we have developed novel methods of preparing powdered forms of triglyceride oils and vegan proteins, and our powdered ingredients are composed of unmodified whole algal cells. AlgaVia ™ Lipid Powder (also known as whole algal flour) and AlgaVia ™ Protein (also known as whole algal protein) can improve the nutritional profile of foods and beverages. AlgaVia ™ Lipid Powder is a new fat source that allows for the reduction or replacement of dairy fats, oils, and eggs. AlgaVia ™ Protein is a new vegan source of protein that is free of known allergens and gluten. Both AlgaVia ™ Lipid Powder and AlgaVia ™ Protein can be used across a range of applications such as beverages (ready-to-drink and powdered), bakery, snacks, bars, dressings, sauces and frozen desserts.

Our production process is compatible with commercial-scale, widely-available fermentation and oil recovery equipment. We operate our lab and pilot fermentation and recovery equipment as scaled-down versions of our large commercial engineering designs, such as those used to perform development work under certain agreements with strategic partners and to fulfill commercial supply agreements with certain partners. This allows us to more easily scale up to larger fermentation vessels. We have scaled up our technology platform and have successfully operated at lab (5-15 liter), pilot (600-1,000 liter), demonstration (120,000 liter) and commercial (approximately 500,000 liter and above) fermenter scale. The fermentation equipment used to achieve commercial scale at the Clinton Facility is comparable to the fermentation equipment at the Solazyme Bunge JV Plant in Brazil. Our existing manufacturing operations are as follows:

- Our pilot plant in South San Francisco, California, with recovery operations capable of handling material from both 600 and 1,000 liter fermenters, enables us to produce samples of our algal oils for testing and optimization by our partners, as well as to test new process conditions at an intermediate scale.

- In 2012, we successfully commissioned our first fully integrated biorefinery (IBR) at our Peoria, Illinois facility (the Peoria Facility), to produce algal oil. The IBR was partially funded with a federal grant that we received from the U.S. Department of Energy (DOE) in December 2009 to demonstrate integrated commercial-scale production of renewable algae-derived fuels. The Peoria Facility has a nameplate capacity of two million liters of oil annually and provides an important platform for continued work on feedstock flexibility and scaling of new algal oils into the marketplace. We have also modified our Peoria Facility to produce food ingredients in conjunction with market development activity.

- In April 2012, we executed a joint venture agreement with Bunge Global Innovation, LLC and certain of its affiliates (collectively, Bunge) (Joint Venture Agreement), one of the largest sugarcane processing companies in Brazil, establishing a joint venture (Solazyme Bunge JV) to construct and operate a purpose-built production facility (the Solazyme Bunge JV Plant) adjacent to Bunge's sugarcane mill in Moema, Brazil. In May 2014, the Solazyme Bunge JV Plant produced its first products on full-scale production lines, including 625,000 liter fermenter tanks. The Solazyme Bunge JV Plant leverages our technology and Bunge's sugarcane milling and natural oil processing capabilities to produce microalgae-based products. In addition, the Solazyme Bunge JV Plant has been designed to be expanded for further production in line with market demand. Additional capital expenditures may be required to reach nameplate capacity depending on the product mix produced at the plant. See "Significant Partner Agreements."

- In November 2012, we executed a strategic collaboration agreement with Archer-Daniels-Midland Company (ADM) to produce algal triglyceride oil products at ADM's facility in Clinton, Iowa (Clinton Facility). In January 2014, we commenced commercial operations at both the Clinton Facility and the downstream companion facility operated by American Natural Processors, Inc. (ANP). We, along with ADM and ANP, have manufactured five distinct products at the facilities, and products are being sold and distributed. The Clinton Facility utilizes fermentation vessels that are approximately 500,000-liters and corn sugars as a feedstock to produce algal triglyceride oil products. The current focus for the Clinton Facility is to produce higher margin

products such as our Encapso ™ product and to balance production with operating expenses. We have the option to expand the capacity. See "Significant Partner Agreements."

- We utilize contract manufacturing to assist in the production of our products, and we closely monitor and advise these contract manufacturers to maintain stringent quality standards for our products. We also produce some active ingredients for Solazyme Personal Care Products at our Peoria Facility.

Through fiscal year 2013, our revenues were generated from research and development programs and commercial sale of our personal care products. Starting in the first quarter of 2014 our product revenues expanded to include initial sales of intermediate and ingredient products. Our research and development programs have been conducted primarily under agreements with government agencies and strategic partners to fund development work and to perform application testing. We focus our innovation efforts on creating a broad suite of algal products that meet market needs. We intend to continue to work closely with our partners and customers to understand their requirements and design products to specifically address their needs. Our main commercial focus is to sell high-value oils, encapsulated oils and whole algal powdered products to companies that use them as intermediates and ingredients.

Within the Personal Care Products market, we have developed a portfolio of innovative and branded microalgae-based consumer products. Our first major ingredient in this market was Alguronic Acid ®, which was formulated into a full range of Algenist ® skin care products. Since its launch in 2011, we have commercialized our Algenist ® anti-aging skin care line, marketed to date primarily through Sephora S.A. and its affiliates (Sephora) and QVC. In April 2014, our Algenist ® product line launched at Nordstrom, our first high-end department store retail channel. In July 2014, our Algenist ® line launched at ULTA Beauty retail stores throughout the United States. We have also expanded our international distribution and are currently selling in over 2,500 retail stores in 22 countries including several member countries of the EU, Mexico, Canada and China. Beginning in 2013, we further leveraged our innovative ingredient research and expertise by broadening the Algenist ® line to include products that use microalgae oil and whole algal ingredients as replacements for essential oils currently used in other skin care products.

In the first quarter of 2014, we began selling our intermediate and ingredient products more broadly to customers in the Industrial Products market with the launch of Encapso ™. Our initial commercial use for our Encapso ™ product is as a biodegradable oil and gas drilling fluid lubricant.

**Significant Partner Agreements**

We currently have joint venture, joint development, supply and distribution arrangements with several strategic partners. We expect to enter into additional partnerships in each of our target markets to advance commercialization of our products and to expand our upstream and downstream capabilities. Upstream, we expect partners to provide research and development funding, capital for commercial manufacturing capacity and/or secure access to feedstock. Downstream, we expect partners to provide expanded distribution channels, product application testing, marketing expertise and/or long-term purchase commitments. Our current principal partnership and strategic arrangements include:

***Bunge .*** In May 2011, we entered into a Joint Development Agreement (JDA) with Bunge that was extended through September 2014. Pursuant to the JDA, we and Bunge jointly developed microbe-derived oils and explored the production of such oils from Brazilian sugarcane feedstock.

In anticipation of the Solazyme Bunge JV's formation, in May 2011, we granted Bunge Limited a warrant (the Bunge Warrant) to purchase 1,000,000 shares of our common stock at an exercise price of $13.50 per share. The Bunge Warrant vested based on a number of milestones connected with the construction and initial operation of the Solazyme Bunge JV Plant. As of June 30, 2014, the Bunge Warrant was vested as to 75% of the shares underlying the Bunge Warrant and the remaining 25% of the shares underlying the Bunge Warrant could no longer vest. The Warrant expires in May 2021.

In April 2012, we and Bunge formed the Solazyme Bunge JV to build, own and operate the Solazyme Bunge JV Plant. The Solazyme Bunge JV Plant leverages our technology and Bunge's sugarcane milling and natural oil processing capabilities to produce microalgae-based products. In addition, the Solazyme Bunge JV Plant has been designed to be expanded for further production in line with market demand. Construction of the Solazyme Bunge JV Plant commenced in the second quarter of 2012 and was financed with equal equity contributions by both Bunge and Solazyme and over $100 million of project financing from the Brazilian Development Bank. In May 2014, the Solazyme Bunge JV Plant produced its first products on full-scale production lines, including 625,000 liter fermentation tanks. Both oil and Encapso ™ products have been manufactured; production optimization is continuing and is expected to ramp as we work to increase efficiency in unit operations, and balance production volumes with operating costs as we focus on higher value products. Additional capital expenditures may be required to reach nameplate capacity depending on the product mix produced at the plant. As a condition of the Solazyme Bunge JV drawing funds under the loan in excess of amounts supported by bank guarantees, we may be required to provide a corporate

guarantee of a portion of the loan in an amount that, when added to the amount supported by our bank guarantee, does not exceed our ownership percentage in the Solazyme Bunge JV.

In addition to forming the Solazyme Bunge JV in April 2012, we entered into a Development Agreement with the Solazyme Bunge JV to continue research and development activities that are intended to benefit the Solazyme Bunge JV, including activities in the areas of strain development, molecular biology and process development. The Development Agreement provides that the Solazyme Bunge JV will pay us a technology maintenance fee in recognition of our ongoing research investment in technology that would benefit the Solazyme Bunge JV. We also entered into a Technology Service Agreement with the Solazyme Bunge JV under which the Solazyme Bunge JV pays us for technical services related to the operations of the plant, including, but not limited to, engineering support for plant operations, operation procedure consultation, product analysis and microbe performance monitoring and assessment. In the third quarter of 2013, the Solazyme Bunge JV also agreed to pay us to support its commercial activities, including, but not limited to, facilitating supply agreements on behalf of the Solazyme Bunge JV and providing regulatory support.

In November 2012, we entered into a joint venture expansion framework agreement with Bunge. This framework agreement sets forth the intent of the partners to expand joint venture-owned oil production capacity at select Bunge owned and operated processing facilities worldwide. In addition, we and Bunge amended the Joint Venture Agreement in October 2013 to expand the field and product portfolio of the Solazyme Bunge JV. In March 2015, we entered into an additional JDA with Bunge to jointly develop a unique food ingredient. The additional JDA also stipulates that Bunge will provide research funding to us through December 2018, payable quarterly in advance throughout the research term.

Refer to Note 11 and Note 13 in the accompanying notes to our condensed consolidated financial statements for further discussion of the Bunge JDA, Joint Venture Agreement and Warrant.

***ADM*** . In November 2012, we entered into a strategic collaboration agreement with ADM, establishing a collaboration for the production of algal triglyceride oil products at the Clinton Facility. The Clinton Facility is producing algal triglyceride oil products using our proprietary microbe-based catalysis technology. Feedstock for the facility is provided by ADM's adjacent wet mill. Under the terms of the strategic collaboration agreement, we pay ADM annual fees for use and operation of a portion of the Clinton Facility, a portion of which may be paid in our common stock. In addition, in January 2013 we granted to ADM a warrant to purchase 500,000 shares of our common stock, which vests in equal monthly installments over five years, commencing in November 2013. In addition, in March 2013 we issued a series of warrants to ADM for payment in stock, in lieu of cash, at our election, of future annual fees for use and operation of a portion of the Clinton Facility. This facility uses corn sugars as a feedstock. We are also working together with ADM to develop markets for the products produced at the Clinton Facility. Since the third quarter of 2013, downstream processing has been performed at a finishing facility in Galva, Iowa (Galva Facility), which is operated by our long-term partner, a wholly owned subsidiary of ANP. In January 2014, we began commercial scale production of our oils at the Clinton/Galva Facilities.

***Mitsui*** . In February 2013, we entered into a multi-year agreement with Mitsui & Co., Ltd. (Mitsui) to jointly develop triglyceride oils for use primarily in the oleochemical industry. The agreement includes further development of our myristic oil, a valuable raw material in the oleochemical industry, and additional oils that we are developing for the oleochemical and industrial sectors. End use applications may include renewable, high-performance lubricants and other industrial products.

***Algenist® Distribution Partners.*** In 2010, we entered into a distribution contract with Sephora EMEA to distribute our Algenist® product line in Sephora EMEA stores in certain countries in Europe and select countries in the Middle East and Asia. In early 2011, we also made arrangements with Sephora Americas to sell our Algenist® product line in Sephora Americas stores (which currently includes locations in the United States and Canada). During 2011, we launched our Algenist® product line at Sephora inside JCPenney stores in the United States and we entered into an agreement with QVC, Inc. (QVC) and launched the sale of our Algenist® product line through QVC's multimedia platform. In July 2014, we entered into an agreement with ULTA Beauty to sell our Algenist® line in over 700 of its retail stores throughout the United States.

***Unilever.*** In October 2011, we entered into a joint development agreement with Unilever (our fourth agreement altogether) which expanded our current research and development efforts. In September 2014, we and Unilever extended this joint development agreement through September 30, 2015. In September 2013, we and Unilever entered into a commercial supply agreement for at least 10,000 MT of our algal oil. In May 2014, Unilever announced the initial introduction of our sustainable algal oil into one of its biggest soap brands, Lux.

***AkzoNobel.*** In May 2013, we entered into a joint development agreement with AkzoNobel, a leading global paints and coatings company and a major producer of specialty chemicals, targeting the development and commercial sales of triglyceride oils for use by AkzoNobel in its surface chemistry and decorative paints businesses. Product development efforts began in the second half of 2013, and in July 2014 we entered into a research and development plan with AkzoNobel which extends through June 2017.

***Flotek.*** In March 2015, we entered into agreements with certain Flotek Industries Inc. affiliates (Flotek) to jointly commercialize Flocapso™, a drilling fluid additive, and to allow Flotek to market our Encapso™ product in certain Middle Eastern markets.

**Financial Operations Overview**

***Revenues***

We are commercializing our products as intermediate and ingredient products and personal care products. Intermediate and ingredient products encompass a portfolio of ingredient products targeted at customers in the Industrial Products and Food Products markets. We are currently selling our consumer-focused Algenist ® branded skin and personal care line in the Personal Care Product market. Prior to commercialization of our Algenist ® products in 2011, our revenues were primarily from collaborative research and government grants. Through the end of 2013, our product revenues were entirely from the sale of consumer-focused branded products into the Personal Care Products market, providing us with the highest gross margin within our target markets. In the first quarter of 2014, we began to sell intermediate and ingredient products more broadly into the Industrial Products markets as we began to commercially produce and distribute products from the Clinton/Galva Facilities.

- ***Product Revenues***

Product revenues consist of revenues from products sold commercially into each of our target markets.

We began our commercialization from sale of consumer-focused branded skin and personal care products in the Personal Care Products market. Starting in 2011, we recognized revenues from the sale of our first consumer-focused commercial product line, Algenist ®, which we distributed to the skin and personal care end market through arrangements with Sephora S.A. and its affiliates (Sephora), QVC and ULTA Beauty in 22 countries including the U.S., member countries of the EU, Mexico, Canada and China, as well as direct-to-consumer sales via the Internet. In the first quarter of 2014, we began selling our intermediate and ingredient products commercially into the Industrial Products market. We launched our Encapso ™ product, a biodegradable lubricant for drilling fluids, Tailored ™ oil products to customers that use our intermediate products, as well as fuel blend sales as part of our effort to build our fuels marketing and commercial development programs; preliminary program efforts include the sale and transfer of blended fuels to private (non-government) customers. We expect our product revenues to increase as the demand for our consumer-focused product lines grow and as we continue to commercialize our portfolio of intermediate and ingredient products including Tailored ™ oils and powders, our advanced biofuel blends, and our Encapso ™ product targeted at customers in the Industrial Products market, as well as our food ingredients products targeted at customers in the Food Products market.

Product revenues represented 71% and 70% of our total revenues for the three and six months ended June 30, 2015, respectively, and 57% and 58% of our total revenues for the three and six months ended June 30, 2014, respectively.

- ***Research and Development Program Revenues***

Revenues from R&D programs are recognized in the period during which the related costs are incurred, provided that the conditions under which the government grants and other R&D program agreements were provided have been met and only perfunctory obligations are outstanding. We currently have active R&D programs with commercial partners and recently completed R&D programs with governmental agencies. These R&D programs are entered into pursuant to agreements and grants that generally provide payment for certain types of expenditures in return for research and development activities over a contractually defined period. Revenues related to R&D programs include reimbursable expenses and payments received for full-time equivalent employee services recognized over the related performance periods for each of the contracts. We are required to perform research and development activities as specified in each respective agreement based on the terms and performance periods set forth in the agreements as outlined above. R&D program revenues from commercial and strategic partner development agreements represented 29% and 30% of our total revenues for the three and six months ended June 30, 2015, respectively, compared to 43% and 42% of our total revenue for the three and six months ended June 30, 2014, respectively.

***Costs and Operating Expenses***

Costs and operating expenses consist of cost of product revenue, research and development expenses, sales, general and administrative expenses and restructuring charges. Personnel-related expenses, including non-cash stock-based compensation, costs associated with our strategic collaboration agreements as well as other third-party contractors and contract manufacturers,

reimbursable equipment and costs associated with government contracts, consultants and facility costs, comprise the significant components of these expenses.

- ***Cost of Product Revenue***

Through the end of 2013, cost of product revenue consisted primarily of third-party contractor costs associated with packaging, distribution and production of Algenist ® products, including internal labor, shipping, supplies and other overhead costs associated with production of Alguronic Acid ® and Microalgae Oil used in our Algenist ® product line. Beginning in the first quarter of 2014, cost of product revenue also includes manufacturing, distribution and related third party contract costs associated with the production of our intermediate/ingredient products, such as our Encapso ™ product, Tailored ™ oils and fuels. Prior to our products' meeting any applicable regulatory requirements, all manufacturing and related production costs are recorded as research and development expenses. Starting in 2014, our Encapso ™ product and three of our Tailored ™ oils met applicable regulatory requirements and we began capitalizing certain production costs to inventory.

Certain scale-up production costs related to operations at the Clinton/Galva facilities focused on process development associated with the manufacturing scale-up at the facilities may be charged to research and development costs. In addition, unallocated fixed costs for these manufacturing facilities may be charged to selling, general and administrative expenses when facilities are not operating at full capacity. We expect our total cost of product revenue to increase in correlation with increased product sales as the demand for our consumer product lines grows and as we commercialize our portfolio of intermediate/ingredient products targeted at customers in the Industrial Products and Food Products markets.

- ***Research and Development***

Research and development expenses consist of costs incurred for internal projects as well as partner-funded collaborative research and development activities with commercial and strategic partners and governmental and JV entities (partners). Research and development expenses consist primarily of personnel and related costs including non-cash stock-based compensation, third party contract manufacturers, reimbursable equipment and other costs associated with our work on development programs associated with our collaboration agreements. Reimbursable equipment and costs associated with government contracts are a main component of research and development expenses prior to 2014. In addition, research and development expenses include certain costs associated with contract manufacturers' facilities, feedstock and supplies, depreciation and amortization of property and equipment used in the development of our algal oil products as well as a portion of certain manufacturing costs as we scale up our manufacturing facilities to commercial scale production.

We expense our research and development costs as they are incurred. Our research and development programs are undertaken to advance our overall industrial biotechnology platform that enables us to produce high-value algal oils. Although our partners fund certain development activities, they benefit from advances in our technology platform as a whole, including costs funded by other development programs. Therefore, costs for such activities have not been separated as these costs have all been determined to be part of our total research and development related activity.

Our research and development efforts are directed at (1) identifying, isolating and further optimizing strains of microalgae to achieve high cell densities, high yield converting sugar to product and high productivity rates compared to other alternatives; (2) tailoring the oil outputs to meet specific market needs; (3) product and process development projects aimed at reducing the cost of oil production; and (4) scale-up of commercial scale production as well as product and process development activities at our production facilities. Our research and development projects also include activities as specified in our government grants and contracts and development agreements with commercial and strategic partners. We expect to continue to use our Peoria Facility for joint development activities, to provide commercial samples for market development related to production of products such as our AlgaVia ™ brand of whole algal powders and flours.

- ***Sales, General and Administrative***

Sales, general and administrative expenses consist primarily of personnel and related costs including non-cash stock-based compensation related to our executive management, corporate administration, sales, marketing and business development functions, professional services, marketing programs and samples, facility and administrative overhead expenses and unallocated fixed third-party facilities costs incurred when facilities are not operating at full capacity. Professional services consist primarily of consulting, external accounting, legal and investor relations fees associated with operating as a publicly-traded company.

- ***Restructuring Charges***

In December 2014 we took steps to decrease operating expenses through a reduction in workforce and other cost-cutting measures (2014 Restructuring Plan). Restructuring charges consist primarily of employee severance costs, asset impairment and accelerated depreciation related to consolidation of our Brazil subsidiary's lab and offices.

***Other Income (Expense), Net***

- *Interest and Other Income*

Interest and other income consist primarily of interest income earned on marketable securities and cash balances. Our interest income will vary for each reporting period depending on our average investment balances during the period and market interest rates.

- *Interest Expense*

Interest expense consists primarily of interest expense related to our 6.00% Convertible Senior Subordinated Notes due 2018 (the 2018 Notes) and 5.00% Convertible Senior Subordinated Notes due 2019 (the 2019 Notes collectively with the 2018 Notes, the Notes). As of June 30, 2015 and December 31, 2014, our outstanding debt, net of debt discounts, was approximately $201.4 million and $200.1 million, respectively.

- *Gain (Loss) from Change in Fair Value of Warrant Liability*

Gain (loss) from change in fair value of warrant liability consisted primarily of the change in the fair value of a common stock warrant issued to Bunge Limited. The warrant liability was remeasured to fair value at each balance sheet date and/or upon vesting, and the change in the then-current aggregate fair value of the warrants was recorded as a gain or loss from the change in the fair value in our condensed consolidated statement of operations. In the first quarter of 2014, the warrant liability associated with the third tranche of the common stock warrant issued to Bunge Limited was adjusted to $0, as the third tranche could no longer vest.

- *Gain (Loss) from Change in Fair Value of Derivative Liabilities*

Gain (loss) from change in fair value of derivative liabilities consists of the changes in the fair value of the embedded derivatives related to the early conversion payment features of the 2018 Notes and 2019 Notes issued in January 2013 and April 2014, respectively.

- *Income (Loss) from Equity Method Investment*

Income (loss) from our equity method investment in the Solazyme Bunge JV is recorded in our income statement as "Income (Loss) from Equity Method Investment".

- *Income Taxes*

Since inception, we have incurred net losses and have not recorded any U.S. federal, state or non-U.S. income tax provisions. We have recorded a full valuation allowance against deferred tax assets as it is more likely than not that they will not be realized.

**Critical Accounting Policies and Estimates**

Critical accounting policies are those accounting policies that management believes are important to the portrayal of our financial condition and results and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our 2014 Annual Report on Form 10-K includes a description of certain critical accounting policies, including those with respect to revenue recognition, inventories, stock-based compensation and income taxes. There have been no material changes to the Company's critical accounting policies described in the Company's 2014 Annual Report on Form 10-K.

**Results of Operations**

**Comparison of Three Months Ended June 30, 2015 and 2014**

***Revenues***

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | $ Change |
| | (In thousands) | | |
| Revenues: | | | |
| Product revenues | $ 8,307 | $ 9,022 | $ (715) |
| Research and development programs | 3,433 | 6,917 | (3,484) |
| Total revenues | $ 11,740 | $ 15,939 | $ (4,199) |

Our total revenues decreased by $4.2 million due to a decrease in R&D program revenues of $3.5 million and a decrease in product revenues of $0.7 million in the second quarter of 2015 compared to the same period in 2014.

We have two reportable segments for financial statement reporting purposes: Algenist ® and Intermediates/Ingredients and Other. The Intermediates/Ingredients and Other segment includes sale of our Encapso ™ product and Tailored ™ oils. Our discussions below surrounding changes in product revenue and gross margin are based on those reportable segments.

*Product Revenues and Cost of Product Revenues*

Products revenues and cost of product revenues by segment for the three months ended June 30, 2015 and 2014 were as follows:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (In thousands) | | |
| ***Algenist ®*** | | | |
| Product revenues | $ 5,191 | $ 5,960 | $ (769) |
| Cost of product revenues | 1,347 | 1,890 | (543) |
| Gross profit | $ 3,844 | $ 4,070 | $ (226) |
| Gross margin | 74% | 68% | 6 % |
| | | | |
| ***Intermediate/Ingredients and Other*** | | | |
| Product revenues | $ 3,116 | $ 3,062 | $ 54 |
| Cost of product revenues | 3,014 | 2,580 | 434 |
| Gross profit | $ 102 | $ 482 | $ (380) |
| Gross margin | 3% | 16% | (13)% |

Algenist ® product revenues and cost of product revenues decreased $0.8 million and $0.5 million, respectively, in the second quarter of 2015 compared to the same period in 2014. Second quarter 2014 results benefited from the timing of certain sales activities, that occurred in the third quarter of 2015 instead of the second quarter. This benefit was partially offset by new product offerings and increased consumer demand in the second quarter of 2015 compared to the same period in 2014. Algenist ® gross margin increased from 68% during the second quarter of 2014 to 74% in the second quarter of 2015 primarily as a result of inventory reserve adjustments, which had an impact of 6% on the second quarter of 2015 gross margin.

Intermediate/Ingredients and Other product revenues increased slightly due to an increase in product sales of Encapso ™ and industrial oils, partially offset by a decrease in Fuel blend sales related to our fuels marketing and commercial development program. We expect Intermediates/Ingredients and Other product revenues to increase as a percentage of total net product revenues as we continue to ramp our large-scale production and focus on higher value Industrial Products and Food Products.

Certain inventories manufactured prior to regulatory approval are charged to research and development expense in periods prior to when those inventories are sold. Beginning in early 2014 we began to sell our Intermediates/Ingredients and Other products more broadly in the Industrial Products markets, however, due to certain inventories previously expensed to

research and development expense, our cost of product revenues did not include all production costs associated with our Intermediates/Ingredients and Other products until those products met the applicable regulatory requirements. In addition, during scale-up of the manufacturing process at the Clinton/Galva facilities, certain Intermediate/Ingredient and Other product manufacturing, related production and unallocated fixed facilities costs are charged to research and development and selling, general and administrative expenses.

The gross margin for Intermediates/Ingredients and Other product sales was 3% in the second quarter of 2015 compared to 16% in the second quarter of 2014, primarily due to changes in customer and product mix, and gross margin was impacted favorably in the second quarter of 2014 by the sale of inventory that was expensed to research and development expense. Gross margins for our Intermediates/Ingredients and Other products would have been negative in the current quarter if certain costs, including scale-up production costs related to operations at the Clinton/Galva facilities and unallocated fixed facilities costs, had not been charged to operating expenses. We expect our customer and product mix will change as we complete existing industrial oil supply agreements with customers and focus on production and sales of higher margin Intermediates/Ingredients and Other products.

We expect our total cost of production for products manufactured at the Clinton/Galva Facilities will increase as we continue to sell Intermediates/Ingredients in the Industrial Products and Food Products markets and as we focus the Clinton Facility on higher margin products such as our Encapso ™ product and otherwise balance production volumes with operating expenses. We also expect that our cost of production as a percentage of revenue may be higher in the early stages of production, depending on mix of products and as production volumes fluctuate. As production volume increases our cost per metric ton produced is expected to decrease.

*Research and Development Programs Revenue*

We are currently engaged in development activities with multiple strategic partners and the Solazyme Bunge JV, and although we expect funded program revenue to remain an important indication of strategic commitment from partners and a source of future customers, we expect funded program revenue to become a less meaningful part of our overall revenue as our focus shifts to commercialization and product revenues. In line with this strategy, research and development programs revenue decreased by $3.5 million in the second quarter of 2015 compared to the same period in 2014, due to decreased revenues from development agreements with the Solazyme Bunge JV and strategic partners. Our revenues from development agreements with the Solazyme Bunge JV and strategic partners fluctuate due to timing and terms of the development work performed and achievement of contract milestones defined in these agreements. Revenues from the Solazyme Bunge JV decreased in the second quarter of 2015 compared to the same period in 2014, due primarily to a reduction of revenue associated with technical and commercial services related to the operations of the Solazyme Bunge JV Plant and support for its commercial activities as the plant ramps up. In addition, research and development program revenue associated with payments for the achievement of milestones under a development agreement with a strategic partner was $1.0 million lower in the second quarter of 2015 compared to the same period in 2014.

As we enter into new agreements with strategic partners or government programs, we expect that quarterly trends may fluctuate based on the timing of program activities with strategic partners.

***Operating Expenses***

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | $ Change |
| | (In thousands) | | |
| Operating expenses: | | | |
| Research and development | $ 12,747 | $ 22,064 | $ (9,317) |
| Sales, general and administrative | 20,981 | 21,637 | (656) |
| Restructuring charges | (31) | — | (31) |
| Total operating expenses | $ 33,697 | $ 43,701 | $ (10,004) |

Certain scale-up production costs related to operations at the Clinton/Galva facilities focused on process development associated with the manufacturing scale-up at the facilities may be charged to research and development costs. In addition, unallocated fixed costs for these manufacturing facilities may be charged to selling, general and administrative expenses when facilities are not operating at full capacity.

*Research and Development Expenses*

The total fluctuation on our research and development expenses in the second quarter of 2015 compared to the same period in 2014 decreased by $9.3 million, due primarily to a $3.9 million decrease in ongoing research and development expenses, and a $5.5 million decrease in scale-up production costs related to operations at the Clinton/Galva facilities. Research and development expenses, excluding scale-up costs, decreased $3.9 million in the second quarter of 2015 compared to the same period in 2014, due primarily to $2.3 million of decreased personnel-related and facilities-related costs and $0.6 million of decreased product development costs related to restructuring activities implemented starting in late December 2014. Personnel-related costs include non-cash stock-based compensation expense of $1.5 million in the second quarter of 2015 compared to $1.9 million in the same period in 2014. Scale up costs decreased as we had limited operations at the Clinton/Galva Facilities in the second quarter of 2015 compared to the same period in 2014.

We expect overall research and development costs to decrease in 2015, compared to 2014, in particular personnel-related costs, as a result of the reduction in workforce and other cost-cutting measures we implemented starting in December 2014. We plan to continue to make investments in research and development for the foreseeable future, but at a lower rate, as we continue (1) to identify, isolate and further optimize strains of microalgae to achieve high cell densities, high yield converting sugar to product and high productivity rates compared to other alternatives; (2) to tailor the oil outputs to meet specific market needs; (3) to engage in product and process development projects aimed at reducing the cost of oil production; and (4) to scale-up new products as well as process and product development activities at the Clinton/Galva Facilities to commercial scale.

*Sales, General and Administrative Expenses*

The total fluctuation in our sales, general and administrative expenses in the second quarter of 2015 compared to the same period in 2014 decreased by $0.7 million, due primarily to a $4.1 million decrease in ongoing sales, general and administrative expenses, partially offset by a $3.4 million increase in unallocated fixed costs for the Clinton/Galva facilities associated with the facilities not operating at full capacity. Sales, general and administrative expenses, excluding unallocated fixed costs, decreased $4.1 million in the second quarter of 2015 compared to the same period in 2014, due primarily to $1.2 million of decreased personnel-related and facilities costs, decreased external legal and outside services costs of $1.7 million and decreased marketing and promotional costs of $0.9 million. Personnel-related and facilities-related costs decreased primarily as a result of decreased non-cash stock-based compensation expense, and decreased personnel costs as a result of restructuring activities implemented in December 2014. Personnel-related costs include non-cash stock-based compensation of $3.2 million in the second quarter of 2015 compared to $3.9 million in the same period in 2014. Stock-based compensation decreased in the second quarter of 2015 compared to the same period in 2014 primarily due to stock option modification expense recorded in the prior period.

During the second quarter of 2015, our facilities were not operating at full capacity as we managed limited production campaigns at the Clinton/Galva Facilities to focus on establishing operations at the Solazyme Bunge JV Plant pursuant to our 2014 Restructuring Plan. We plan to continue to invest in commercialization of our high value Intermediate/Ingredient products in the Industrial Products and Food Products markets, which may increase our overall selling, general and administrative expense, but expect personnel-related expenses to decrease for the remainder of 2015 compared to the same periods in 2014, as a result of a reduction in workforce and other cost-cutting measures we implemented starting in December 2014.

*Restructuring Charges*

In December 2014, we took steps to decrease operating expenses through the 2014 Restructuring Plan. Restructuring charges in the second quarter of 2015 consist primarily of adjustments to employee severance costs and related asset accelerated depreciation charges. We anticipate a reduction in annualized cash operating expenses of at least $18.0 million in 2015 related to the 2014 Restructuring Plan.

***Other Income (Expense), Net***

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | $ Change |
| | (In thousands) | | |
| Other income (expense): | | | |
| Interest and other income, net | $ 137 | $ 393 | $ (256) |
| Interest expense | (3,547) | (5,055) | (1,508) |
| Loss from equity method investment | (7,309) | (4,278) | 3,031 |
| Loss from change in fair value of derivative liabilities | (134) | (1,745) | 1,611 |
| Total other income (expense), net | $ (10,853) | $ (10,685) | $ 168 |

*Interest expense*

Interest expense decreased by $1.5 million in the second quarter of 2015 compared to the same period in 2014 due primarily to $1.8 million of debt conversion expense incurred in the second quarter of 2014. We expect interest expense to increase primarily as a result of issuing the 2019 Notes.

*Loss from Equity Method Investment*

Loss from equity method investment increased by $3.0 million in the second quarter of 2015 compared to the same period in 2014, primarily due to the increase in our proportionate share of the net loss from the Solazyme Bunge JV. We expect the loss from our equity method investment to increase as the Solazyme Bunge JV continues optimization of the Solazyme Bunge JV Plant and to decrease once commercial-scale production is achieved.

*Gain (Loss) from Change in Fair Value of Derivative Liabilities*

Loss from change in fair value of derivative liabilities of $0.1 million in the second quarter of 2015 was due to the change in the fair value of the embedded derivatives related to the early conversion payment features of the Notes issued in January 2013 and April 2014, compared to a $1.7 million gain in the same period in 2014. At each reporting period, we remeasure these embedded derivatives at fair value, which is included as components of convertible debt on our condensed consolidated balance sheets. We used a Monte Carlo simulation model to estimate the fair values of the embedded derivatives related to the early conversion payment features of the Notes. Changes in certain inputs into the model may have a significant impact on changes in the estimated fair values of the embedded derivatives. We expect that the gain or loss from the change in the fair values of these derivative liabilities will fluctuate with the change in our stock price, the trading price of the Notes, certain other inputs to the Monte Carlo simulation model and early conversions by Note holders.

**Results of Operations**

**Comparison of Six Months Ended June 30, 2015 and 2014**

***Revenues***

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | $ Change |
| | (In thousands) | | |
| Revenues: | | | |
| Product revenues | $ 17,128 | $ 16,370 | $ 758 |
| Research and development programs | 7,217 | 11,960 | (4,743) |
| Total revenues | $ 24,345 | $ 28,330 | $ (3,985) |

Our total revenues decreased by $4.0 million in the first half of 2015 compared to the same period in 2014, due to $0.8 million of increased product sales, offset by $4.7 million of decreased R&D program revenues.

We have two reportable segments for financial statement reporting purposes: Algenist ® and Intermediates/Ingredients and Other. The Intermediates/Ingredients and Other segment includes sale of our Encapso ™ product and Tailored ™ oils. Our discussions below surrounding changes in product revenue and gross margin are based on those reportable segments.

*Product Revenues and Cost of Product Revenues*

Product revenues and cost of product revenues by segment for the six months ended June 30, 2015 and 2014 were as follows:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| | (In thousands) | | |
| ***Algenist*** ® | | | |
| Product revenues | $ 11,402 | $ 10,901 | $ 501 |
| Cost of product revenues | 3,667 | 3,377 | 290 |
| Gross profit | $ 7,735 | $ 7,524 | $ 211 |
| Gross margin | 68% | 69% | (1)% |
| ***Intermediate/Ingredients and Other*** | | | |
| Product revenues | $ 5,726 | $ 5,469 | $ 257 |
| Cost of product revenues | 5,364 | 4,483 | 881 |
| Gross profit | $ 362 | $ 986 | $ (624) |
| Gross margin | 6% | 18% | (12)% |

Algenist ® product revenues and cost of product revenues increased $0.5 million and $0.3 million, respectively, in the first half of 2015 compared to the same period in 2014 as a result of new product offerings and increased consumer demand.

Intermediate/Ingredients and Other product revenues increased $0.3 million in the first half of 2015 compared to the same period in 2014 due an increase in product sales of Encapso ™ and industrial oils, partially offset by a decrease in Fuel blend sales related to our fuels marketing and commercial development program. We expect Intermediates/Ingredients and Other product revenues to increase as a percentage of total net product revenues as we continue to ramp our large-scale production and focus on higher value Industrial Products and Food Products.

Certain inventories manufactured prior to regulatory approval are charged to research and development expense in periods prior to when those inventories are sold. Beginning in early 2014 we began to sell our Intermediates/Ingredients and Other products more broadly in the Industrial Products markets, however, due to certain inventories previously expensed to research and development expense, our cost of product revenues did not include all production costs associated with our Intermediates/Ingredients and Other products until those products met the applicable regulatory requirements. In addition, during scale-up of the manufacturing process at the Clinton/Galva facilities, certain Intermediate/Ingredient and Other product manufacturing, related production and unallocated fixed facilities costs are charged to research and development and selling, general and administrative expenses.

The gross margin for Intermediates/Ingredients and Other product sales was 6% in the first half of 2015 compared to 18% in the first half of 2014, primarily due to changes in customer and product mix. In addition, gross margin was impacted favorably in the first half of 2014 by the sale of inventory that was expensed to research and development expense prior to its regulatory approval. Gross margins for our Intermediates/Ingredients and Other products would have been negative in the current period if certain costs, including scale-up production costs related to operations at the Clinton/Galva facilities and unallocated fixed facilities costs, had not been charged to operating expenses. We expect our customer and product mix will change as we complete existing industrial oil supply agreements with customers and focus on production and sales of higher margin Intermediates/Ingredients and Other products.

We expect our total cost of production for products manufactured at the Clinton/Galva Facilities will increase as we continue to sell Intermediates/Ingredients in the Industrial Products and Food Products markets and as we focus the Clinton Facility on higher margin products such as our Encapso ™ product and otherwise balance production volumes with operating expenses. We also expect that our cost of production as a percentage of revenue may be higher in the early stages of production, depending on mix of products and as production volumes fluctuate. As production volume increases our cost per metric ton produced is expected to decrease.

*Research and Development Programs Revenue*

We are currently engaged in development activities with multiple strategic partners and the Solazyme Bunge JV, and although we expect funded program revenue to remain an important indication of strategic commitment from partners and a source of future customers, we expect funded program revenue to become a less meaningful part of our overall revenue as our focus shifts to commercialization and product revenues. In line with this strategy, research and development programs revenue decreased by $4.7 million in the first half of 2015 compared to the same period in 2014, due primarily to decreased revenues from development agreements with the Solazyme Bunge JV, partially offset by an increase in revenues from development agreements with strategic partners. Our revenues from development agreements with the Solazyme Bunge JV and strategic partners fluctuate due to timing and terms of the development work performed and achievement of contract milestones defined in these agreements. Revenues from the Solazyme Bunge JV decreased in the first half of 2015 compared to the same period in 2014, due primarily to a reduction of revenue associated with technical and commercial services related to the operations of the Solazyme Bunge JV Plant and support for its commercial activities as the plant ramps up, partially offset by increased revenues from strategic partners primarily due to the research and development plan we entered into with AkzoNobel in July 2014.

As we enter into new agreements with strategic partners or government programs, we expect that quarterly results may fluctuate based on the timing of program activities with strategic partners.

***Operating Expenses***

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | $ Change |
| | (In thousands) | | |
| Operating expenses: | | | |
| Research and development | $ 25,301 | $ 42,899 | $ (17,598) |
| Sales, general and administrative | 42,249 | 42,244 | 5 |
| Restructuring charges | 393 | — | 393 |
| Total operating expenses | $ 67,943 | $ 85,143 | $ (17,200) |

Certain scale-up production costs related to operations at the Clinton/Galva facilities focused on process development associated with the manufacturing scale-up at the facilities may be charged to research and development costs. In addition, unallocated fixed costs for these manufacturing facilities may be charged to selling, general and administrative expenses when facilities are not operating at full capacity.

*Research and Development Expenses*

The total fluctuation in our research and development expenses in the first half of 2015 compared to the same period in 2014 decreased by $17.6 million, due primarily to a $6.4 million decrease in ongoing research and development expenses, and a $11.2 million decrease in scale-up production costs related to operations at the Clinton/Galva facilities. Research and development expenses, excluding scale-up costs, decreased $6.4 million in the first half of 2015 compared to the same period in 2014, due primarily to $4.1 million of decreased personnel-related and facilities-related costs and $1.3 million of decreased product development costs related to our restructuring activities implemented starting in late December 2014. Personnel-related costs include non-cash stock-based compensation expense of $2.6 million in the first half of 2015 compared to $3.7 million in the same period in 2014. Scale up costs decreased as we had limited operations at the Clinton/Galva Facilities in the first half of 2015 compared to the same period in 2014.

We expect overall research and development costs to decrease in 2015, compared to 2014, in particular personnel-related costs, as a result of the reduction in workforce and other cost-cutting measures we implemented starting in December 2014. We plan to continue to make investments in research and development for the foreseeable future, but at a lower rate, as we continue (1) to identify, isolate and further optimize strains of microalgae to achieve high cell densities, high yield converting sugar to product and high productivity rates compared to other alternatives; (2) to tailor the oil outputs to meet specific market needs; (3) to engage in product and process development projects aimed at reducing the cost of oil production; and (4) to scale-up new products as well as process and product development activities at the Clinton/Galva Facilities to commercial scale.

*Sales, General and Administrative Expenses*

The total fluctuation in our sales, general and administrative expenses in the first half of 2015 compared to the same period in 2014 remained relatively flat, which reflects a $7.3 million decrease in ongoing sales, general and administrative expenses, which was fully offset by a $7.3 million increase in unallocated fixed costs for the Clinton/Galva facilities associated with the facilities not operating at full capacity. Sales, general and administrative expenses, excluding unallocated fixed costs,

decreased $7.3 million in the first half of 2015 compared to the same period in 2014, due primarily to $4.1 million of decreased personnel-related and facilities costs, decreased external legal and outside services costs of $2.0 million and decreased marketing and promotional costs of $0.7 million. Personnel-related and facilities-related costs decreased due to decreased non-cash stock-based compensation expense, and decreased personnel costs as a result of restructuring activities implemented in December 2014. Personnel-related costs include non-cash stock-based compensation of $6.2 million in the first half of 2015 compared to $8.7 million in the same period in 2014. Stock-based compensation decreased in the first half of 2015 compared to the same period in 2014 primarily due to stock option modification expense recorded in the prior period.

During the first half of 2015, our facilities were not operating at full capacity as we managed limited production campaigns at the Clinton/Galva Facilities to focus on establishing operations at the Solazyme Bunge JV Plant pursuant to our 2014 Restructuring Plan. We plan to continue to invest in commercialization of our high value Intermediate/Ingredient products in the Industrial Products and Food Products markets, which may increase our overall selling, general and administrative expense, but expect personnel-related expenses to decrease for the remainder of 2015 compared to the same periods in 2014, as a result of a reduction in workforce and other cost-cutting measures we implemented starting in December 2014.

*Restructuring Charges*

In December 2014 we took steps to decrease operating expenses through the 2014 Restructuring Plan. Restructuring charges in the first half of 2015 consist primarily of one-time employee severance costs and related asset accelerated depreciation charges. We anticipate a reduction in annualized cash operating expenses of at least $18.0 million in 2015 related to the 2014 Restructuring Plan.

***Other Income (Expense), Net***

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2015 | 2014 | $ Change |
| | (In thousands) | | |
| Other income (expense): | | | |
| Interest and other income, net | $ 400 | $ 628 | $ (228) |
| Interest expense | (7,083) | (6,402) | 681 |
| Loss from equity method investment | (12,375) | (8,112) | 4,263 |
| Gain from change in fair value of warrant liability | — | 688 | (688) |
| (Loss) gain from change in fair value of derivative liabilities | (149) | 273 | (422) |
| Total other income (expense), net | $ (19,207) | $ (12,925) | $ 6,282 |

*Interest expense*

Interest expense increased by $0.7 million in the first half of 2015 compared to the same period in 2014, due primarily to increased interest expense as a result of the 2019 Notes issued in April 2014, partially offset by $1.8 million of debt conversion expense incurred in the first half of 2014. We expect interest expense to increase primarily as a result of issuing the 2019 Notes.

*Loss from Equity Method Investment*

Loss from equity method investment increased by $4.3 million in the first half of 2015 compared to the same period in 2014, primarily due to the increase in our proportionate share of the net loss from the Solazyme Bunge JV. We expect the loss from our equity method investment to increase as the Solazyme Bunge JV continues optimization of the Solazyme Bunge JV Plant and to decrease once commercial-scale production is achieved.

*Gain from Change in Fair Value of Warrant Liability*

Gain from the change in fair value of warrant liability was $0 in the first half of 2015 compared to a $0.7 million gain from the change in fair value of warrant liability in the same period in 2014. The change in fair value of warrant liability is related to the fair value of the unvested warrant issued to Bunge Limited. The warrant vests in three separate tranches, each contingent upon the achievement of specific performance-based milestones related to the formation and operations of the Solazyme Bunge JV. The unvested warrant shares were recorded as a liability on our condensed consolidated balance sheet beginning in the second quarter of 2012, and the unvested portion of the warrant continued to be remeasured to fair value at each balance sheet date and reclassified to additional paid-in capital upon vesting. In the second quarter of 2012, 750,000 warrant shares (first and second tranche) vested and were reclassified to additional paid-in capital. Beginning in the first quarter of 2014, the warrant liability associated with the third tranche of the common stock warrant issued to Bunge Limited was adjusted to $0, as the third tranche could no longer vest.

*Gain (Loss) from Change in Fair Value of Derivative Liabilities*

Loss from change in fair value of derivative liabilities of $0.1 million in the first half of 2015 was due to the change in the fair value of the embedded derivatives related to the early conversion payment features of the Notes issued in January 2013 and April 2014, compared to a $0.3 million gain in the same period in 2014. At each reporting period, we remeasure these embedded derivatives at fair value, which is included as components of convertible debt on our condensed consolidated balance sheets. We used a Monte Carlo simulation model to estimate the fair values of the embedded derivatives related to the early conversion payment features of the Notes. Changes in certain inputs into the model may have a significant impact on changes in the estimated fair values of the embedded derivatives. We expect that the gain or loss from the change in the fair values of these derivative liabilities will fluctuate with the change in our stock price, the trading price of the Notes, certain other inputs to the Monte Carlo simulation model and early conversions by Note holders.

**Liquidity and Capital Resources**

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| | (In thousands) | |
| Cash and cash equivalents | $ 35,653 | $ 42,689 |
| Marketable securities | 111,373 | 164,619 |

Cash, cash equivalents and marketable securities decreased by $60.3 million in the six months ended June 30, 2015, primarily due to cash used in operating activities of $49.0 million and $10.3 million of capital contributed to the Solazyme Bunge JV.

The following table shows a summary of our cash flows for the periods indicated:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| | (In thousands) | |
| Net cash used in operating activities | $ (49,026) | $ (50,539) |
| Net cash provided by (used in) investing activities | 41,993 | (124,055) |
| Net cash provided by financing activities | 389 | 199,930 |

***Sources and Uses of Capital***

Since our inception, we have incurred significant net losses, and as of June 30, 2015, we had an accumulated deficit of $540.3 million. We anticipate that we will continue to incur net losses as we continue the scale-up of our manufacturing activities, support commercialization activities for our products and continue to support our research and development activities. In addition, we may acquire additional manufacturing facilities, expand or build out our current manufacturing facilities and/or build additional manufacturing facilities. We are unable to predict the extent of any future losses or when we will become profitable, if at all. We expect to continue making investments in research and development and manufacturing, and expect selling, general and administrative expenses to increase as we begin and ramp up commercialization. As a result, we will need to generate significant revenues from product sales, collaborative research and joint development activities, licensing fees and other revenue arrangements to achieve profitability.

We believe that our current cash, cash equivalents, marketable securities and revenue from product sales will be sufficient to fund our current operations for at least the next 12 months. However, our liquidity assumptions may prove to be wrong, and we could utilize our available financial resources sooner than we currently expect. We may elect to raise additional funds within this period of time through public or private debt or equity financings and/or additional collaborations.

Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth under “Risk Factors” elsewhere in this Quarterly Report on Form 10-Q. We may not be able to secure additional financing to meet our funding requirements on acceptable terms, if at all. If we raise additional funds by issuing equity securities, dilution to our existing stockholders may result. If we are unable to obtain additional funds, we will have to reduce our operating costs and delay our manufacturing and research and development programs.

***Strategic Partners***

In April 2012, we entered into the Solazyme Bunge JV, which is jointly capitalized by us and Bunge and operates an oil production facility in Brazil that utilizes our proprietary technology to produce oil products from sugar feedstock provided by a

Bunge affiliate. Through December 31, 2014, the majority of activity at the Solazyme Bunge JV was focused on the construction and optimization of the Solazyme Bunge JV Plant. Both we and Bunge each contributed $70.1 million in capital to the Solazyme Bunge JV through December 31, 2014. During the six months ended June 30, 2015, we and Bunge each contributed capital to the Solazyme Bunge JV of $14.1 million, and as of June 30, 2015 we do not expect our total equity contributions in fiscal year 2015 to exceed $30.0 million from each partner. We currently expect total capital contributions in fiscal year 2016 to be lower than total contributions made in fiscal year 2015. Although we do not expect total contributions in fiscal year 2016 to exceed the amount contributed in fiscal year 2015, total future capital contributions cannot be quantified at this time.

In February 2013, the Solazyme Bunge JV entered a loan agreement with the Brazilian Development Bank (BNDES) under which it may borrow up to R$245.7 million (approximately USD $77.8 million based on the exchange rate as of June 30, 2015). As a condition of the Solazyme Bunge JV drawing funds under the loan we were required, and have provided, a bank guarantee equal to 14.39% of the total amount available under the BNDES Loan and may be required to provide a corporate guarantee equal to 35.71% of the total amount available under the BNDES Loan ( not to exceed our ownership percentage in the Solazyme Bunge JV). The BNDES funding has supported the Solazyme Bunge JV's first commercial-scale production facility in Brazil, which has reduced the capital requirements funded directly by us and Bunge. We expect to scale up additional manufacturing capacity in a capital-efficient manner by signing additional agreements whereby our partners will invest capital and operational resources in building manufacturing capacity, while also providing access to feedstock. We expect to evaluate the optimal amount of capital expenditures that the partners agree to fund on a case-by-case basis. These events may require us to access additional capital through equity or debt offerings. If we are unable to access additional capital, our growth may be limited due to the inability to build out additional manufacturing capacity.

***Commercial Banks***

On March 26, 2013, we entered into a credit facility with HSBC (the HSBC facility), which provides for a $30.0 million revolving facility for working capital, letters of credit denominated in U.S. dollars or a foreign currency and other general corporate purposes, in May 2013 we entered into an amendment to increase the HSBC facility to $35.0 million, and in March 2014 we amended the HSBC facility to extend the maturity date to May 31, 2016. Also on March 26, 2013, we drew down approximately $10.4 million under the HSBC facility to repay an outstanding term loan plus accrued interest on another facility. On June 27, 2014, we paid in full the outstanding principal and interest due under the HSBC facility. The HSBC facility is unsecured unless (i) we take action that could cause or permit obligations under the HSBC facility not to constitute senior debt (as defined in the indentures related to the 2018 Notes and the 2019 Notes by and between us and Wells Fargo Bank, National Association, as trustee), (ii) we breach financial covenants that require us and our subsidiaries to maintain cash and unrestricted cash equivalents at all times of not less than $35.0 million plus one hundred ten percent of the aggregate dollar equivalent amount of outstanding advances and letters of credit under the HSBC facility, or (iii) there is a payment default under the HSBC facility or bankruptcy or insolvency events relating to us. A portion of the HSBC facility supports the bank guarantee issued to BNDES in May 2013. Therefore, approximately $23.8 million of the HSBC facility remained available as of June 30, 2015, and we were in compliance with the financial covenants of the HSBC facility.

***Cash Flows from Operating Activities***

Cash used in operating activities of $49.0 million in the six months ended June 30, 2015 primarily reflects a loss of $71.8 million, aggregate non-cash charges of $26.2 million and a net decrease of $3.4 million in our net operating assets and liabilities. Non-cash charges included stock-based compensation, loss from equity method investments, revaluations of our warrant liability and derivative liabilities, depreciation and amortization, net amortization of premiums on marketable securities, restructuring charges, debt conversion expense and debt discount and loan fee amortization. We expect stock-based compensation and revaluation of our derivative liabilities to fluctuate with the change in our stock price and other factors. We expect loss from equity method investments to increase as production of commercial products and optimization of manufacturing operations at the Solazyme Bunge JV Plant is ramped up.

The net change in our operating assets and liabilities in the six months ended June 30, 2015 was primarily a result of decreased accounts payable and accrued liabilities of $6.4 million and increased accounts receivable of $2.3 million, partially offset by decreased unbilled revenue of $1.8 million and increased other long-term liabilities of $3.3 million. Accounts payable and accrued liabilities decreased due to cash payments of severance related to the 2014 Restructuring Plan and bonus payments made in the first quarter of 2015, partially offset by interest accrued on the Notes. Unbilled revenue decreased due to decreased revenues from development agreements with the Solazyme Bunge JV. Accounts receivable increased due primarily to timing of payments received. Other long-term liabilities increased due to additional accrual of deferred rent.

Cash used in operating activities of $50.5 million in the six months ended June 30, 2014 primarily reflects a loss of $77.6 million, aggregate non-cash charges of $26.8 million and a net change of $0.2 million in our net operating assets and liabilities.

Non-cash charges included stock-based compensation, loss from equity method investments, revaluations of our warrant liability and derivative liabilities, depreciation and amortization, net amortization of premiums on marketable securities, debt conversion expense and debt discount and loan fee amortization.

The net change in our operating assets and liabilities in the six months ended June 30, 2014 was primarily a result of increased accounts payable and accrued liabilities of $7.7 million, decreased other assets of $2.9 million and increased deferred revenue of $0.9 million, partially offset by increased inventories of $5.0 million and increased accounts receivable and unbilled revenue of $6.4 million. Accounts payable and accrued liabilities increased due to increased scale-up activities at the Clinton/Galva Facilities, additional interest expense accrued as a result of the issuance of 2019 Notes in April 2014 and increased legal related costs. Other assets decreased due to amortization of a deferred rent asset. Deferred revenue increased due to timing of payments received under R&D programs with strategic partners. Inventories increased due primarily to commercial launch of intermediate/ingredient products, including Encapso™ lubricant, Tailored™ oils and fuels. Accounts receivables and unbilled revenues increased due primarily to the commercial launch of Encapso™ lubricant, Tailored™ oils and fuel blends and timing of payments received under our R&D programs.

***Cash Flows from Investing Activities***

In the six months ended June 30, 2015, cash provided by investing activities was $42.0 million, primarily as a result of $52.7 million of net marketable securities maturities, partially offset by $10.3 million of capital contributed to the Solazyme Bunge JV.

In t he six months ended June 30, 2014, cash used in investing activities was $124.1 million, primarily as a result of $92.9 million of net marketable securities purchases, $26.1 million of capital contributed to the Solazyme Bunge JV, $4.5 million of capital expenditures related primarily to equipment installed at the Peoria and Clinton/Galva Facilities and $0.6 million of interest capitalized related to the Solazyme Bunge JV.

***Cash Flows from Financing Activities***

In the six months ended June 30, 2015, cash provided by financing activities was $0.4 million, primarily due to proceeds received from common stock issuances pursuant to our equity plans.

In the six months ended June 30, 2014, cash provided by financing activities was $199.9 million, primarily due to $202.7 million of proceeds received from the issuance of the 2019 Notes and Common Stock Offering, net of underwriting discounts and debt and offering issue costs and $7.7 million of proceeds received from common stock issuances pursuant to our equity plans, partially offset by $10.4 million of principal debt payments.

**Contractual Obligations and Commitments**

There have been no significant changes to the Company’s contractual obligations and commitments since the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

**Off-Balance Sheet Arrangements**

For information on variable interest entities and guarantees, refer to Notes 11 and 15, respectively, in the accompanying notes to our unaudited interim condensed consolidated financial statements.

**Recent Accounting Pronouncements**

Refer to Note 2 in the accompanying notes to our unaudited interim condensed consolidated financial statements for a discussion of recent accounting pronouncements.

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

We are exposed to financial market risks, primarily changes in interest rates, currency exchange rates and commodity prices. All of the potential changes noted below are based on sensitivity analyses performed on our financial positions as of June 30, 2015. Actual results may differ materially.

***Interest Rate Risk***

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and our outstanding debt obligations. We generally invest our cash in investments with short maturities or with frequent interest reset terms. Accordingly, our interest income fluctuates with short-term market conditions. As of June 30, 2015, our investment portfolio consisted primarily of corporate debt obligations, U.S. government agency securities, asset-backed and mortgaged-backed securities, municipal bonds and money market funds, which are held for working capital purposes. We believe we do not have material exposure to changes in fair value as a result of changes in interest rates. Our marketable securities were comprised primarily of fixed-term securities as of June 30, 2015. Due to the short-term nature of these instruments, we do not believe that there would be a significant negative impact to our condensed consolidated financial position or results of operations as a result of interest rate fluctuations in the financial markets. Our outstanding debt as of June 30, 2015 consists of fixed-rate debt, and therefore, is not subject to fluctuations in market interest rates.

***Foreign Currency Risk***

Our operations include manufacturing and sales activities primarily in the United States, as well as research activities primarily in the United States. We are actively expanding outside the United States, in particular in Brazil through our Solazyme Bunge JV. We sell our Algenist ® products in Europe and conduct operations in Brazil. As we expand internationally, our results of operations and cash flows will become increasingly subject to fluctuations due to changes in foreign currency exchange rates. For example, our operations in Brazil and/or potential expansion elsewhere in Latin America or increasing Euro denominated product sales to European distributors, will result in our use of currencies other than the U.S. dollar. In addition, the local currency is the functional currency of our Brazil subsidiary and the Solazyme Bunge JV (an unconsolidated joint venture). The assets and liabilities of the Brazil subsidiary are translated from its functional currency to U.S. dollars at the exchange rate in effect at the balance sheet date, with resulting foreign currency translation adjustments recorded in accumulated other comprehensive income (loss) in the condensed consolidated statements of comprehensive loss. The assets and liabilities of the Solazyme Bunge JV are also translated to U.S. dollars similar to our Brazil subsidiary, and we adjust our investment in the Solazyme Bunge JV and cumulative translation adjustment in equity for our ownership portion of the cumulative translation gain or loss recognized on the Solazyme Bunge JV's financial statements. As a result, our comprehensive income (loss), cash flows and expenses are subject to fluctuations due to changes in foreign currency exchange rates. In periods when the U.S. dollar declines in value as compared to the foreign currencies in which we incur expenses, our foreign-currency based expenses increase when translated into U.S. dollars. We have not hedged our foreign currency since the exposure has not been material to our historical operating results. Although substantially all of our sales are currently denominated in U.S. dollars, future fluctuations in the value of the U.S. dollar may affect the price competitiveness of our products outside the United States. We may consider hedging our foreign currency risk as we continue to expand internationally.

***Commodity Price Risk***

Our exposure to market risk for changes in commodity prices currently relates primarily to our purchases of plant sugar feedstock. We have not historically hedged the price volatility of plant sugar feedstock. In the future, we may manage our exposure to this risk by hedging the price volatility of feedstock, principally through futures contracts, and entering into joint venture agreements that would enable us to obtain secure access to feedstock.

**Item 4. Controls and Procedures.**

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2015. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance of achieving the desired objectives. In reaching a reasonable level of assurance, management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2015 at the reasonable assurance level.

**Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarterly period ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II: OTHER INFORMATION

### Item 1. Legal Proceedings.

We may be involved, from time to time, in legal proceedings and claims arising in the course of our business. Such matters are subject to many uncertainties and there can be no assurance that such legal proceedings will not have a material adverse effect on our business, results of operations, financial position or cash flows. The information relating to "Legal Matters" set forth under Note 15 - Commitments and Contingencies of the notes to the unaudited interim condensed consolidated financial statements of this Quarterly Report on Form 10-Q is incorporated into this item by reference.

### Item 1A. Risk Factors.

*You should carefully consider the risks and uncertainties described below before investing in our publicly-traded securities. Additional risks and uncertainties not presently known to us or that our management currently deems immaterial also may impair our business operations. If any of the risks described below were to occur, our business, financial condition, operating results, and cash flows could be materially adversely affected. In such an event, the trading price of our common stock could decline and you could lose all or part of your investment. In assessing these risks and uncertainties, you should also refer to the other information contained in this Report, including our consolidated financial statements and related notes. The risks and uncertainties discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See Management's Discussion and Analysis of Financial Condition and Results of Operations-Forward-Looking Statements.*

**Risks Related to Our Business and Industry**

***We have a limited operating history and have incurred significant losses to date, anticipate continuing to incur losses and may never achieve or sustain profitability.***

We are an early stage company with a limited operating history. We only recently began commercializing our products. To date, a substantial portion of our revenues has consisted of funding from third party collaborative research agreements and government grants. We have generated only limited revenues from commercial sales, which have been principally derived from sales of our personal care products. Although we expect a significant portion of our future revenues to come from commercial sales in the food ingredients, fuels and chemicals and oil field services markets, only a small portion of our revenues to date has been generated from those markets.

We have incurred substantial net losses since our inception, including a net loss of $71.8 million during the six months ended June 30, 2015. We expect these losses may continue as we ramp up our manufacturing capacity and build out our product pipeline. As of June 30, 2015, we had an accumulated deficit of $540.3 million . We expect to incur additional costs and expenses related to the continued development and expansion of our business, including research and development, the operation of our Peoria Facility, the ramp up and operation of the Solazyme Bunge JV production facility (described below), the ramp up and operation of the Clinton/Galva Facilities (as described below) and other commercial facilities. As a result, our annual and quarterly operating losses may continue.

We, along with our development and commercialization partners, will need to develop products successfully, cost effectively produce them in large quantities, and market and sell them profitably. If we fail to become profitable, or if we are unable to fund our continuing losses, we may be unable to continue our business operations. There can be no assurance that we will ever achieve or sustain profitability.

***We have generated limited revenues from the sale of our products, and our business may fail if we are not able to successfully commercialize these products.***

We have had only limited product sales to date. If we are not successful in further advancing our existing commercial arrangements with strategic partners, developing new arrangements, ramping up or otherwise increasing our manufacturing capacity and securing reliable access to sufficient volumes of low-cost feedstock, we will be unable to generate meaningful revenues from our products. We are subject to the substantial risk of failure facing businesses seeking to develop products based on a new technology.

Certain factors that could, alone or in combination, prevent us from successfully commercializing our products include:

- our ability to secure reliable access to sufficient volumes of low-cost feedstock;
- our ability to achieve commercial-scale production of our products on a cost-effective basis and in a timely manner;

- technical or operational challenges with our manufacturing processes or with development of new products that we are not able to overcome;
- our ability to consistently manufacture our products within specifications;
- our ability to establish and maintain successful relationships with development, feedstock, manufacturing and commercialization partners;
- our ability to gain market acceptance of our products with customers and maintain customer relationships;
- our ability to sell our products at an acceptable price;
- our ability to manage our growth;
- our ability to meet applicable regulatory requirements for the production, distribution and sale of our products and to comply with applicable laws and regulations;
- actions of direct and indirect competitors that may seek to enter the markets in which we expect to compete or that may seek to impose barriers to one or more markets that we intend to target; and
- public concerns about the ethical, legal, environmental and social ramifications of the use of targeted recombinant technology, land use and the potential diversion of resources from food production.

***The production of our microalgae-based products requires fermentable feedstock. The inability to obtain feedstock in sufficient quantities or in a timely and cost-effective manner may limit our ability to produce our products.***

A critical component of the production of our microalgae-based products is access to feedstock in sufficient quantities and at an acceptable price to enable commercial production and sale. Other than as described below, we currently purchase feedstock, such as sugarcane-based sucrose and corn-based dextrose, for the production of our products at prevailing market prices. We are currently in discussions with additional potential feedstock partners.

We do not have any long-term supply agreements or other guaranteed access to feedstock other than (i) for the supply of feedstock to Solazyme Bunge Produtos Renováveis Ltda. (“Solazyme Bunge Renewable Oils” or the “Solazyme Bunge JV”) by our partner, Bunge Global Innovation, LLC and certain of its affiliates (“Bunge”), pursuant to our joint venture arrangement that includes a feedstock supply agreement, and (ii) pursuant to our strategic collaboration with Archer-Daniels-Midland Company (“ADM”) (“Solazyme/ADM Collaboration”) at the ADM facility in Clinton, Iowa (“Clinton Facility”). As we scale our production, we anticipate that the production of our microalgae-based products will require large volumes of feedstock, and we may not be able to contract with feedstock producers to secure sufficient quantities of feedstock at reasonable costs or at all. For example, corn-based dextrose feedstock for the Clinton Facility is being provided from ADM’s adjacent wet mill and sugarcane-based sucrose for the Solazyme Bunge JV facility in Moema, Brazil is being provided by Bunge. Corn and sugar are traded as commodities and are subject to price volatility. While we may seek to manage our exposure to fluctuations in the price of sugar and corn-based dextrose by entering into hedging transactions directly or through our joint venture or collaboration arrangements, we may not be successful in doing so. If we cannot access feedstock in the quantities we need at acceptable prices, we may not be able to successfully commercialize our food ingredients, fuels, chemicals, encapsulated lubricant and other products, and our business will suffer. If we do not succeed in entering into long-term supply contracts when necessary or successfully hedge against our exposure to fluctuations in the price of feedstock, our costs and profit margins may fluctuate from period to period as we will remain subject to prevailing market prices.

Although our plan is to enter into partnerships, such as the Solazyme Bunge JV and the Solazyme/ADM Collaboration, with feedstock providers to supply the feedstock necessary to produce our products, we cannot predict the future availability or price of such feedstock or be sure that our feedstock partners will be able to supply such feedstock in sufficient quantities or in a timely manner. The prices of feedstock depend on numerous factors outside of our or our partners’ control, including weather conditions, government programs and regulations, changes in global demand, rising or falling commodities and equities markets, and availability of credit to producers. Crop yields and sugar content depend on weather conditions such as rainfall and temperature. Variable weather conditions have historically caused volatility in feedstock crop prices due to crop failures or reduced harvests. For example, excessive rainfall can adversely affect the supply of feedstock available for the production of our products by reducing the sucrose content of feedstock and limiting growers’ ability to harvest. Crop disease and pestilence can also occur from time to time and can adversely affect feedstock crop growth, potentially rendering useless or unusable all or a substantial portion of affected harvests. The limited amount of time during which feedstock crops keep their sugar content after harvest poses a risk of spoilage. Also, the fact that many feedstock crops are not themselves traded commodities limits our ability to substitute supply in the event of such an occurrence. If our ability to obtain feedstock crops is adversely affected by these or other conditions, our ability to produce our products will be impaired, and our business will be adversely affected. In

the near term we believe Brazilian sugarcane-based sucrose will be an important feedstock for us. Along with the risks described above, Brazilian sugarcane prices may also increase due to, among other things, changes in the criteria set by the Conselho dos Produtores de Cana, Açúcar e Álcool (Council of Sugarcane, Sugar and Ethanol Producers), known as Consecana. Consecana is an industry association of producers of sugarcane, sugar and ethanol that sets market terms and prices for general supply, lease and partnership agreements and may change such prices and terms from time to time. Moreover, Brazil has a developed industry for producing ethanol from sugarcane, and if we have manufacturing operations in Brazil that do not have a partner providing the sugarcane feedstock, such as Bunge as part of the Solazyme Bunge JV, we will need to compete for sugarcane feedstock with ethanol producers. Such changes and competition could result in higher sugarcane prices and/or a significant decrease in the volume of sugarcane available for the production of our products, which could adversely affect our business and results of operations.

***We have entered into, and plan to enter into other, arrangements with feedstock producers to co-locate production at their existing mills, and if we are not able to complete and execute on these arrangements in a timely manner and on terms favorable to us, our business will be adversely affected.***

In April 2012, we entered into a Joint Venture Agreement with Bunge, forming the Solazyme Bunge JV, which is doing business as Solazyme Bunge Renewable Oils. The Joint Venture Agreement was amended in October 2013 to expand the field and product portfolio. The Solazyme Bunge JV produces microalgae-based products in Brazil using our proprietary technology and sugarcane feedstock provided by Bunge. The Solazyme Bunge JV's production facility is located adjacent to a sugarcane processing mill in Brazil that is owned by Bunge. The acquisition of the facility site by the Solazyme Bunge JV from Bunge is in process, is complex, is subject to multiple approvals from governmental authorities and will take time to complete. The construction of the Solazyme Bunge JV's production facility began in June 2012, and the first commercial product from the Solazyme Bunge JV production facility was produced in the second quarter of 2014. Manufacturing operations and processes continue to be optimized as the facility is ramped up. In addition, in May 2011, we entered a joint development agreement with Bunge that, among other things, advanced our work on Brazilian sugarcane feedstocks and extended through September 2014. In May 2011, we entered into a Warrant Agreement, amended in August 2011, with Bunge Limited a portion of which vested upon the successful completion of milestones that targeted the completion of construction of the Solazyme Bunge JV facility. We intend to continue to expand our manufacturing capacity by entering into additional agreements with feedstock producers that require them to invest some or all of the capital needed to build new production facilities to produce our products. In return, we expect to share in profits anticipated to be realized from the sale of these products. We are currently in discussions with additional potential manufacturing partners.

In November 2012, we and ADM entered into a Strategic Collaboration Agreement ("Collaboration Agreement"), establishing the Solazyme/ADM Collaboration for the production of microalgae-based products at the Clinton Facility. The Clinton Facility utilizes our proprietary microbe-based catalysis technology. Feedstock for the facility is provided from ADM's adjacent wet mill. Under the terms of the Collaboration Agreement, we agreed to pay ADM annual fees for use and operation of a portion of the Clinton Facility, a portion of which may be paid in common stock. In addition, we have granted to ADM a warrant covering 500,000 shares of our common stock, which vests in equal monthly installments over five years, commencing in November 2013. Since the third quarter of 2013, downstream processing of products manufactured at the Clinton Facility has been performed at a finishing facility in Galva, Iowa ("Galva Facility"), which is operated by our long-term partner, a wholly owned subsidiary of American Natural Processors, Inc. ("Clinton/Galva Facilities"). We and ADM are also working together to develop markets for the products produced at the Clinton Facility.

There can be no assurance that a sufficient number of other sugar or other feedstock mill owners will accept the opportunity to partner with us for the production of our microalgae-based products. Reluctance on the part of mill owners may be caused, for example, by their failure to understand our technology or product opportunities or their belief that greater economic benefits can be achieved from partnering with others. Mill owners may also be reluctant or unable to obtain needed capital; alternatively, if mill owners are able to obtain debt financing, we may be required to provide a guarantee. Limitations in the credit markets, such as those experienced in the recent economic downturn or historically in developing nations as a result of government monetary policies designed in response to very high rates of inflation, would impede or prevent this kind of financing and could adversely affect our ability to develop the production capacity needed to allow us to grow our business. Mill owners may also be limited by existing contractual obligations with other third parties, liability, health and safety concerns and additional maintenance, training, operating and other ongoing expenses.

Even if additional feedstock partners are willing to co-locate our production at their mills, they may do so only on economic terms that place more of the cost, or confer less of the economic return, on us than we currently anticipate. If we are not successful in negotiations with mill owners, our cost of securing additional manufacturing capacity may be higher than anticipated in terms of up-front costs, capital expenditure or lost future returns, and we may not gain the manufacturing capacity that we need to grow our business.

***Our pursuit of new product opportunities may not be technologically feasible or cost effective, which would limit our ability to expand our product line and sources of revenues.***

We have committed, and intend to continue to commit, substantial resources, alone or with collaboration partners, to the development and analysis of new Tailored ™ oils and other microalgae-based products by applying recombinant technology to our microalgae strains. There is no guarantee that we will be successful in creating new Tailored ™ oil profiles, or other microalgae-based products, that we, our partners or their customers desire. There are significant technological hurdles in successfully applying recombinant technology to microalgae, and if we are unsuccessful at engineering microalgae strains that produce desirable Tailored ™ oils and other microalgae-based products, the number and size of the markets we will be able to address will be limited, our expected profit margins could be reduced and the potential profitability of our business could be compromised.

***The successful development of our business depends on our ability to efficiently and cost-effectively produce microalgae-based products at large commercial scale.***

Two of the significant drivers of our production costs are the level of productivity and conversion yield of our microalgae strains. For example, with respect to oil, productivity is principally a function of the amount of oil that can be obtained from a given volume over a particular time period. Conversion yield refers to the amount of the desired oil that can be produced from a fixed amount of feedstock. We may not be able to meet our currently expected production cost profile as we ramp up our large commercial manufacturing facilities. If we cannot do so, our business could be materially and adversely affected.

Production of both current and future oils and other microalgae-based products will require that our technology and processes be scalable from laboratory, pilot and demonstration projects to large commercial-scale production. We have limited experience constructing, ramping up or managing large, commercial-scale manufacturing facilities. We may not have identified all of the factors that could affect our manufacturing processes. Our technology may not perform as expected when applied at large commercial scale, or we may encounter operational challenges for which we are unable to identify a workable solution. For example, contamination in the production process, equipment failure or accidents, problems with consistent and reliable plant utilities, human error, issues arising from process modifications to reduce costs and adjust product specifications, and other similar challenges could decrease process efficiency, create delays and increase our costs. To date we have employed our technology using fermenters with a capacity of up to approximately 625,000 liters. However, we still need to demonstrate that we can reach our target cost structure, including the achievement of target yields and productivities at approximately 500,000 liter scale in Iowa and approximately 625,000 liter scale in Brazil. We may not be able to scale up our production in a timely manner, on commercially reasonable terms, or at all. If we are unable to manufacture products at a large commercial scale, our ability to commercialize our technology will be adversely affected, and, with respect to any products that we do bring to market, we may not be able to achieve and maintain an acceptable production cost profile, which would adversely affect our ability to reach, maintain and increase the profitability of our business.

***We rely in part on third parties for the production and processing of our products. If these parties do not produce and process our products at a satisfactory quality, in a timely manner, in sufficient quantities and at an acceptable cost, our development and commercialization efforts could be delayed or otherwise negatively impacted.***

Other than our Peoria Facility, we do not wholly own facilities that can produce and process our products other than at small scale. As such, we rely, and we expect to continue to rely, at least partially, on third parties (including partners and contract manufacturers) for the production and processing of our products. Currently, we have two manufacturing arrangements for industrial fermentation: an agreement for the manufacture of certain products by the Solazyme Bunge JV pursuant to a joint venture arrangement and the manufacture of products at the Clinton Facility. We also have manufacturing agreements relating to other aspects of our production process. Our current and anticipated future dependence upon our partners and contract manufacturers for the production and processing of our products may adversely affect our ability to develop products on a timely and competitive basis. The failure of any of our counterparties to provide acceptable products could delay the development and commercialization of our products. We or our partners will need to enter into additional agreements for the commercial development, manufacturing and sale of our products. There can be no assurance that we or our partners can do so on favorable terms, if at all. Even if we reach agreements with manufacturing partners to produce and process our products, initially the partners will be unfamiliar with our technology and production processes. We cannot be sure that the partners will have or develop the operational expertise needed to run the equipment and processes required to manufacture our products. Further, we may have limited control over the amount or timing of resources that any partner is able or willing to devote to production and processing of our products.

To date, our products have been produced and processed in quantities sufficient for our development work and initial commercial sales. Even if there is demand for our products at a commercial scale, we or our partners may not be able to

successfully increase the production capacity for any of our products in a timely or economic manner or at all. In addition, to the extent we are relying on contract manufacturers to produce and process our products, we cannot be sure that such contract manufacturers will have capacity available when we need their services, that they will be willing to dedicate a portion of their production and/or processing capacity to our products or that we will be able to reach acceptable price and other terms with them for the provision of their production and/or processing services. If we, our partners or our contract manufacturers are unable to increase the production capacity for a product when and as needed, the commercial launch of that product may be delayed, or there may be a shortage of supply, which could limit sales, cause us to lose customers and sales opportunities and impair the growth of our business.

In addition, if a facility or the equipment in a facility that produces and/or processes our products is significantly damaged, destroyed or otherwise becomes unavailable, we or our partners may be unable to replace the manufacturing capacity quickly or cost effectively. The inability to enter into manufacturing agreements, the damage or destruction of a facility upon which we or our partners rely for manufacturing or any other delays in obtaining supply would delay or prevent us and/or our partners from further developing and commercializing our products.

***We may experience significant delays and/or cost overruns in financing, designing, constructing and ramping up large commercial manufacturing facilities, which could result in harm to our business and prospects.***

Our business plan contemplates bringing significant commercial manufacturing capacity online over the next several years. In order to meet our capital requirements for those facilities, we may have to raise additional funds and may be unable to do so in a timely manner, in sufficient amounts and on terms that are favorable to us, if at all. If we fail to raise sufficient funds, our ability to finance and construct additional manufacturing facilities could be significantly limited. If this happens, we may be forced to delay the commercialization of our products and we will not be able to successfully execute our business plan, which would harm our business.

Manufacturing operations have begun at the Solazyme Bunge JV production facility adjacent to Bunge's Moema sugarcane mill in Brazil. The first products from the Solazyme Bunge JV production facility were produced in the second quarter of 2014, and manufacturing operations at the facility are in the process of being optimized and ramped up. We do not expect the facility to reach full nameplate capacity in the near term as the Solazyme Bunge JV continues to optimize manufacturing operations and focuses production on high margin products, and additional capital expenditures may be required to reach nameplate capacity depending on the product mix produced at the Solazyme Bunge JV production facility. Under the joint venture agreements, Bunge has agreed to provide feedstock as well as utility services to the Solazyme Bunge JV production facility. The production facility has experienced, and may continue to experience, intermittent supply of power and steam supply from Bunge. Bunge and the Solazyme Bunge JV have recently completed a number of power and steam redundancy improvement projects, including the construction of an electrical grid tie-in and the tie-in and activation of a second steam boiler. The Solazyme Bunge JV continues to evaluate the performance of these projects and may take additional actions in the future to further improve power and steam reliability if necessary. Without consistent and reliable supply of power and steam to the production facility, production yields will be lower, the ramp up and optimization of the Solazyme Bunge JV production facility will be delayed, our costs will increase and our business and results of operations will be adversely affected.

In February 2013, the Solazyme Bunge JV entered into a loan agreement with the Brazilian Development Bank ("BNDES") for project financing. Funds borrowed under the loan agreement have supported the production facility in Brazil, including a portion of the construction costs of the facility. We have used a portion of our $35.0 million revolving and term loan credit facility (the "HSBC facility") with HSBC Bank, USA, National Association ("HSBC") to support a bank guarantee of the BNDES loan. As a condition of the Solazyme Bunge JV drawing funds under the loan in excess of amounts supported by bank guarantees, we may be required to provide a corporate guarantee of a portion of the loan (in an amount that, when added to the amount supported by our bank guarantee, does not exceed our ownership percentage in the Solazyme Bunge JV).

Negotiating the terms of the corporate guarantee documentation may take longer than anticipated and may contain terms that are not favorable to us. If we are unable to negotiate our corporate guarantee documentation on acceptable terms, the Solazyme Bunge JV may be unable to draw down the maximum amount available under the BNDES loan, it may have to seek additional financing and may not be able to raise sufficient additional funds on favorable terms, if at all. If the Solazyme Bunge JV is unable to secure additional financing, we will be required to fund our portion of the Solazyme Bunge JV's capital requirements either from existing sources or seek additional financing. The acquisition of the facility site by the Solazyme Bunge JV from Bunge is in process, is complex, is subject to multiple approvals of governmental authorities and will take time to complete. If the Solazyme Bunge JV is unable to acquire the facility site on reasonable terms, or at all, it may not be able to operate the production facility and may lose all or part of its investment in such facility.

We will need to construct, or otherwise secure access to, and fund, additional capacity significantly greater than what we currently have as we continue to commercialize our products. Some of our customers may ultimately require that we acquire access to additional production facilities in order to diversify our manufacturing base. We expect to bring online additional facilities in the future. Although we intend to enter into arrangements with third parties to meet our capacity targets, it is possible that we will need to construct our own facility or facilities to meet a portion or all of these targets. We have limited experience in the construction of commercial production facilities and, if we decide to construct our own facility, we will need to secure necessary funding, complete design and other plans needed for the construction of such facility and secure the requisite permits, licenses and other governmental approvals, and we may not be successful in doing so. The construction of any such facility would have to be completed on a timely basis and within an acceptable budget. In addition, there may be delays related to the acquisition of facility sites, which could delay the development and commercialization of our products, as well as delays in deliveries of materials for the construction of such manufacturing facilities in more remote locations. Any facility, whether owned by a third party or by us, must perform as designed once it is operational. If we encounter significant delays, cost overruns, engineering or utility problems, equipment damage, accidents, equipment supply constraints or other serious challenges in bringing any of these facilities online, we may be unable to meet our production goals in the time frame we have planned. In addition, we have limited experience in the management of manufacturing operations at large scale. We may not be successful in producing the amount and quality of oil or other microalgae-based products we anticipate in the facilities and our results of operations may suffer as a result. We have limited experience producing our products at commercial scale, and we will not succeed if we cannot maintain or decrease our production costs and effectively scale our technology and manufacturing processes.

We face financial risk associated with ramping up production to reduce our per-unit production costs. To reduce per-unit production costs, we must increase production to achieve economies of scale. However, if we do not sell production output in a timely manner or in sufficient volumes at sufficient prices, our investment in production will harm our cash position and generate losses. Due to recent decreases in the prices of petroleum and certain plant oils, on which products competitive with our own depend, we have determined not to manufacture certain of our products because the production and sale of such products at a loss would adversely affect our business. Therefore, we expect the time required to ramp up the Clinton and Solazyme Bunge JV production facilities and to achieve positive cash flows at such facilities will be more than we previously anticipated. Further delays would materially adversely affect our business.

***If we fail to maintain and successfully manage our existing, or enter into new, strategic collaborations, we may not be able to develop and commercialize many of our products and achieve or sustain profitability.***

Our ability to enter into, maintain and manage collaborations in our target markets is fundamental to the success of our business. We currently have joint venture, collaboration, research and development, supply and/or distribution agreements with various strategic partners. We currently rely on our partners, in part, for manufacturing and sales or marketing services and intend to continue to do so for the foreseeable future, and we intend to enter into other strategic collaborations to produce, market and sell other products we develop. However, we may not be successful in entering into collaborative arrangements with third parties for the production and sale and marketing of other products. Any failure to enter into collaborative arrangements on favorable terms could delay or hinder our ability to develop and commercialize our products and could increase our costs of development and commercialization.

In the fuels and chemicals markets, we have entered into a joint venture arrangement with Bunge that is focused on the manufacture of products in Brazil and development agreements with various other partners. In addition, we have entered into a strategic collaboration with ADM for the manufacture of microalgae-based products, and have entered into a commercial supply agreement with Unilever. In the skin and personal care market, we have entered into arrangements with Sephora S.A. and its affiliates (“Sephora”), QVC, Inc. and others. There can be no guarantee that we can successfully manage these strategic collaborations. Under our agreement with Sephora, we bear a significant portion of the costs and risk of marketing the products, but do not exercise sole control of marketing strategy. In some cases, we will need to meet certain milestones to continue our activities with these partners. Moreover, the exclusivity provisions of certain strategic arrangements limit our ability to otherwise commercialize our products.

Pursuant to the agreements listed above and similar arrangements that we may enter into in the future, we may have limited or no control over the amount or timing of resources that any partner is able or willing to devote to our products or collaborative efforts. Any of our partners may fail to perform their obligations as expected. These partners may breach or terminate their agreements with us or otherwise fail to conduct their collaborative activities successfully and in a timely manner. Further, our partners may not develop products arising out of our arrangements or devote sufficient resources to the development, manufacture, marketing, or sale of our products. Dependence on collaborative arrangements will also subject us to other risks, including:

- we may be required to relinquish important rights, including intellectual property, marketing and distribution rights;

- we may disagree with our partners as to rights to intellectual property we develop, or their research programs or commercialization activities;
- we may have lower revenues than if we were to market and distribute such products ourselves;
- a partner could separately develop and market a competing product either independently or in collaboration with others, including our competitors;
- a partner could divest assets that are critical to our or our joint venture's operations to a third party that is less willing to cooperate with us or is less incentivized or able to manage such assets in a way that helps us achieve our operational and financial goals;
- our partners could become unable or less willing to expend their resources on research and development, commercialization efforts or the maintenance or supply of production services due to general market conditions, their financial condition or other circumstances beyond our control;
- we may be unable to manage multiple simultaneous partnerships or collaborations; and
- our partners may operate in countries where their operations could be adversely affected by changes in the local regulatory environment or by political unrest.

Moreover, disagreements with a partner or former partner could develop, and any conflict with a partner or former partner could reduce our ability to enter into future collaboration agreements and negatively impact our relationships with one or more existing partners. If any of these events occurs, or if we fail to maintain our agreements with our partners, we may not be able to commercialize our existing and potential products, grow our business or generate sufficient revenues to support our operations. In addition, disagreements with a partner or former partner could result in disputes or litigation. Formal dispute resolution and litigation can require substantial time and resources, and the resolution of disputes and litigation may result in settlements or judgments that have a materially adverse impact on our results of operations or our financial condition. We are currently engaged in legal proceedings with our former partner Roquette Frères, S.A. and in September 2014 we agreed to settle a legal proceeding with our former partner Therabotanics, LLC. For additional information regarding the Roquette proceedings, see Note 15 - Commitments and Contingencies of the notes to the included financial statements.

Additionally, our business could be negatively impacted if any of our partners undergoes a change of control or were to otherwise assign the rights or obligations under any of our agreements to a competitor of ours or to a third party who is not willing to work with us on the same terms or commit the same resources as the current partner.

***Our relationship with our strategic partner ADM may not prove successful.***

We have entered into the Solazyme/ADM Collaboration, which is focused on producing products at the Clinton Facility using our proprietary technology. Feedstock for the facility is being provided from ADM's adjacent wet mill. Under the terms of the Collaboration Agreement, we pay ADM annual fees for use and operation of a portion of the Clinton Facility, a portion of which may be paid in our common stock.

Our ability to generate value from the Solazyme/ADM Collaboration depends, among other things, on our ability to work cooperatively with ADM for the production of our products at the Clinton Facility. We may not be able to do so. For example, under the Solazyme/ADM Collaboration, ADM has agreed to provide feedstock and utility services to the Clinton Facility as well as operating services. ADM does not have previous experience working with our technology, and we cannot be sure that ADM will be successful in producing our products in the amounts we may require, at a satisfactory quality and/or in a cost-effective manner. Subject to limited exceptions and adjustments, we are responsible for annual fees regardless of ADM's success in producing our products in acceptable quantities, at satisfactory quality and at acceptable costs. If production capacity is expanded at the Clinton Facility, there may be delays or cost overruns related to the retrofitting and permitting of the Clinton Facility, which would delay the increased production and commercialization of our products and could increase our costs. Furthermore, the agreements governing our Solazyme/ADM Collaboration are complex and cover a range of future activities, and disputes may arise between us and ADM that could delay the production and commercialization of our products or cause the termination of the Solazyme/ADM Collaboration. Additionally, downstream processing of products produced at the Clinton Facility is being performed at the facilities of third-party manufacturing partners. Any business or operations interruption at the facilities of such third parties could delay the production and commercialization of our products and could increase our costs.

***Our relationship with our strategic partner Bunge may not prove successful.***

We have entered into a joint venture with Bunge that is focused on the production of certain microalgae-based products in Brazil. In connection with the establishment of the Solazyme Bunge JV, we entered into a development agreement and other agreements with Bunge and the Solazyme Bunge JV.

Our ability to generate value from the Solazyme Bunge JV depends on, among other things, our ability to work cooperatively with Bunge and the Solazyme Bunge JV for the commercialization of the Solazyme Bunge JV's products. We may not be able to do so. For example, under the joint venture agreements, Bunge has agreed to provide feedstock as well as utility services to the Solazyme Bunge JV production facility.

In addition, Bunge has announced that it is actively pursuing strategic alternatives for its Brazilian sugarcane business, which could involve the divestment, in whole or in part, of the assets of such business. While a new controlling entity would remain subject to the terms of the feedstock and utility supply agreements, that entity may be less willing to cooperate with us or the Solazyme Bunge JV, which may adversely affect the development and commercialization of the Solazyme Bunge JV's products.

We and Bunge each provide various administrative services to the Solazyme Bunge JV, and Bunge also provides working capital to the Solazyme Bunge JV through a revolving loan facility. Bunge does not have previous experience working with our technology, and we cannot be sure that the Solazyme Bunge JV will be successful in commercializing its products. In addition, there may be delays related to the acquisition of the facility site from Bunge and delays or cost overruns in connection with the ramp up and optimization of the Solazyme Bunge JV production facility. There may also be delays in our negotiation of the corporate loan guarantee to be entered into as a condition of the Solazyme Bunge JV drawing down amounts in excess of amounts supported by bank guarantees under the loan agreement with BNDES. In addition, we will be required to maintain the required license, granted by the Sao Paulo State Environmental Department, to operate the production facility. Any negative event with respect to these issues would delay the development and commercialization of the Solazyme Bunge JV products. Furthermore, the agreements governing our partnership are complex and cover a range of future activities, and disputes may arise between us and Bunge that could delay completion of the Solazyme Bunge JV facility and/or the expansion of the Solazyme Bunge JV's capacity and the development and commercialization of the Solazyme Bunge JV's products or cause the dissolution of the Solazyme Bunge JV.

***Our joint venture with Roquette has been dissolved. We are currently in litigation with Roquette and we may have other disputes with Roquette related to the joint venture's business.***

In 2010, we entered into a 50/50 joint venture with Roquette Frères, S.A. ("Roquette"). As part of this relationship, we and Roquette formed Solazyme Roquette Nutritionals, LLC ("SRN") through which both we and Roquette agreed to pursue certain opportunities in microalgae-based products for the food, nutraceuticals and animal feed markets. In June 2013, we and Roquette agreed to dissolve SRN and on July 18, 2013, SRN was dissolved. As a result of the dissolution, the joint venture and operating agreement between us and Roquette, and the license agreement, whereby we licensed to SRN certain of our intellectual property, automatically terminated.

We and Roquette engaged in an arbitration proceeding concerning the proper assignment of the intellectual property of SRN. In February 2015 the arbitration panel awarded all such intellectual property to us. In addition, Roquette commenced two separate actions in the U.S. District Court for the District of Delaware for declarations that, among other things, the arbitrators exceeded their authority by failing to render a timely arbitration award and as a result any orders or awards issued by the arbitrators are void. We do not believe that Roquette's Delaware actions have merit and have counterclaimed for (i) confirmation of the arbitration award, (ii) an order compelling Roquette to comply with the arbitration award and (iii) damages for misappropriation of trade secrets, misuse of confidential information and breach of contract. In addition, we have filed a motion for a preliminary injunction preventing Roquette's continued use of trade secrets misappropriated from us. In turn Roquette has counterclaimed that we have misused certain Roquette trade secrets. The proceedings are ongoing. We cannot be sure that other disputes will not arise between us and Roquette related to the joint venture's business. Such disagreements and disputes are costly, time-consuming to resolve and distracting to our management.

Disputes regarding our intellectual property rights, and the rights of others (including Roquette) to manufacture and sell the products included in the SRN joint venture could delay or negatively impact our commercialization of products in the markets SRN was targeting. Any such disputes could be costly, time-consuming to resolve and distracting to our management. In addition, if our commercialization in these markets is delayed or unsuccessful, our financial results could be negatively impacted.

***We cannot be sure that our products will meet necessary standards or be approved or accepted by customers in our target markets.***

If we are unable to convince our potential customers or end users of our products that we are a reliable supplier, that our products are comparable or superior to the products that they currently use, or that the use of our products is otherwise beneficial to them, we will not be successful in entering our target markets and our business will be adversely affected.

In the chemicals market, the potential customers for our or the Solazyme Bunge JV's products are generally companies that have well-developed manufacturing processes and arrangements with suppliers for the chemical components of their products and may resist changing these processes and components. These potential customers frequently impose lengthy and complex product qualification procedures on their suppliers, influenced by consumer preference, manufacturing considerations, supplier operating history, regulatory issues, product liability and other factors, many of which are unknown to, or not well understood by, us. Satisfying these processes may take many months or years.

Although we produce products for the fuels market that comply with industry specifications, potential fuels customers may be reluctant to adopt new products. In addition, our fuels may need to satisfy product certification requirements of equipment manufacturers. For example, diesel engine manufacturers may need to certify that the use of diesel fuels produced from our oils in their equipment will not invalidate product warranties.

In the nutrition market, our food ingredients will compete with oils and other food ingredients currently in use. Potential customers may not perceive a benefit to microalgae-based ingredients as compared to existing ingredients or may be otherwise unwilling to adopt their use. If consumer packaged goods ("CPG") companies do not accept our food ingredients as ingredients for their widely distributed finished products, or if end customers are unwilling to purchase finished products made using our products, we will not be successful in competing in the nutrition market and our business will be adversely affected.

In the oil field services market, Encapso ™ competes with incumbent drilling lubricants and other specialty lubricants. Potential customers may be reluctant to adopt an algae-based product because of their unfamiliarity with our technology. Encapso ™ has been subjected only to a limited number of on-site drilling trials, and certain customers may require further data and operating history prior to committing to purchase.

In the skin and personal care market, our branded products are marketed directly to potential consumers, but we cannot be sure that consumers will continue to be attracted to our brands, be attracted to our new brands or products, or purchase our products on an ongoing basis. As a result, our branded products may not be successful, distribution partners may decide to discontinue marketing our products and our business will be adversely affected.

We have entered into a limited number of binding, definitive commercial supply agreements that contain minimum volume commitments. We also periodically enter contingent offtake agreements and non-binding letters of intent with third parties regarding purchase of our products, but these agreements do not unconditionally obligate the other party to purchase any quantities of any products at this time. There can be no assurance that contingent offtake agreements and non-binding letters of intent will lead to unconditional definitive agreements to purchase our products.

***We have limited experience in structuring arrangements with customers for the purchase of our microalgae-based products, and we may not be successful in this essential aspect of our business.***

We expect that our customers will include large companies that sell personal care products, food products and chemical products, as well as large users of oils for fuels and lubricants for oil field operations and other applications. Because we began commercializing our personal care products in the last few years, have only recently begun to commercialize lubricants for oil field operations and our own food ingredient products, and are still in the process of developing our products for the nutrition, fuels and chemicals, oil field services and other markets, we have limited experience operating in our customers' industries and interacting with the customers that we intend to target. Developing the necessary expertise may take longer than we expect and will require that we expand and improve our sales and marketing capability, which could be costly. These activities could delay our ability to capitalize on the opportunities that we believe our technology and products present, and may prevent us from successfully commercializing our products. Further, we ultimately aim to sell large amounts of our products, and this will require that we effectively negotiate and manage contracts for these purchase and sale relationships. The companies with which we aim to have arrangements are generally much larger than we are and have substantially longer operating histories and more experience in their industries than we have. As a result, we may not succeed in establishing relationships with these companies and, if we do, we may not be effective in negotiating or managing the terms of such relationships, which could adversely affect our future results of operations.

***We may be subject to product liability claims and other claims of our customers and partners.***

The design, development, production and sale of our products involve an inherent risk of product liability claims and the associated adverse publicity. Because some of our ultimate products in each of our target markets are used by consumers, and because use of those ultimate products may cause injury to those consumers and damage to property, we are subject to a risk of claims for such injuries and damages. In addition, we may be named directly in product liability suits relating to our products or third-party products integrating our products, even for defects resulting from errors of our partners, contract manufacturers or other third parties working with our products. These claims could be brought by various parties, including customers who are purchasing products directly from us or other users who purchase products from our customers or partners. We could also be named as co-parties in product liability suits that are brought against manufacturing partners that produce our products.

In addition, our customers and partners may bring suits against us alleging damages for the failure of our products to meet stated claims, specifications or other requirements. Any such suits, even if not successful, could be costly, disrupt the attention of our management and damage our negotiations with other partners and/or customers. Although we often seek to limit our product liability in our contracts, such limits may not be enforceable or may be subject to exceptions. Our current product liability and umbrella insurance for our business may be inadequate to cover all potential liability claims. Insurance coverage is expensive and may be difficult to obtain. Also, insurance coverage may not be available in the future on acceptable terms and may not be sufficient to cover potential claims. We cannot be sure that our contract manufacturers or manufacturing partners who produce our ultimate products will have adequate insurance coverage to cover against potential claims. If we experience a large insured loss, it may exceed our coverage limits, or our insurance carrier may decline to further cover us or may raise our insurance rates to unacceptable levels, any of which could impair our financial position and potentially cause us to go out of business.

***We will face risks associated with our international business in developing countries and elsewhere.***

For the foreseeable future, our business plan will likely subject us to risks associated with essential manufacturing, sales and operations in developing countries. We have limited experience to date manufacturing and selling internationally and such expansion will require us to make significant expenditures, including the hiring of local employees and establishing facilities, in advance of generating any revenue. The economies of many of the countries in which we or our joint ventures operate or will operate have been characterized by frequent and occasionally extensive government intervention and unstable economic cycles.

In addition, in Brazil, where the Solazyme Bunge JV is located, there are restrictions on the foreign ownership of land. As a result, the process for the acquisition by the Solazyme Bunge JV of the facility site from Bunge may be long, complicated and is subject to government approvals.

International business operations are subject to local legal, political, regulatory and social requirements and economic conditions and our business, financial performance and prospects may be adversely affected by, among others, the following factors:

- political, economic, diplomatic or social instability;
- land reform movements;
- tariffs, export or import restrictions, restrictions on remittances abroad or repatriation of profits, duties or taxes that limit our ability to move our products out of these countries or interfere with the import of essential materials into these countries;
- inflation, changing interest rates and exchange controls;
- tax burden and policies;
- delays or failures in securing licenses, permits or other governmental approvals necessary to build and operate facilities and use our microalgae strains to produce products;
- the imposition of limitations on products or processes and the production or sale of those products or processes;
- uncertainties relating to foreign laws, including labor laws, regulations and restrictions, and legal proceedings;
- foreign ownership rules and changes in regard thereto;
- an inability, or reduced ability, to protect our intellectual property, including any effect of compulsory licensing imposed by government action;

- successful compliance with U.S. and foreign laws that regulate the conduct of business abroad, including the Foreign Corrupt Practices Act;
- insufficient investment in developing countries in public infrastructure, including transportation infrastructure, and disruption of transportation and logistics services; and
- difficulties and costs of staffing and managing foreign operations.

These and other factors could have a material adverse impact on our results of operations and financial condition.

***Our international operations may expose us to the risk of fluctuation in currency exchange rates and rates of foreign inflation, which could adversely affect our results of operations.***

We currently incur some costs and expenses in Euros and Brazilian Reals and expect in the future to incur additional expenses in these and other foreign currencies, and also derive a portion of our revenues in the local currencies of customers throughout the world. As a result, our revenues and results of operations are subject to foreign exchange fluctuations, which we may not be able to manage successfully. During the past few decades, the Brazilian currency in particular has faced frequent and substantial exchange rate fluctuations in relation to the U.S. dollar and other foreign currencies. There can be no assurance that the Real or the Euro will not significantly appreciate or depreciate against the U.S. dollar in the future. We bear the risk that the rate of inflation in the foreign countries where we incur costs and expenses or the decline in value of the U.S. dollar compared to those foreign currencies will increase our costs as expressed in U.S. dollars. Future measures by foreign governments to control inflation, including interest rate adjustments, intervention in the foreign exchange market and changes to the fixed value of their currencies, may trigger increases in inflation. We may not be able to adjust the prices of our products to offset the effects of inflation on our cost structure, which could increase our costs and reduce our net operating margins. If we do not successfully manage these risks through hedging or other mechanisms, our revenues and results of operations could be adversely affected.

***We may encounter difficulties managing our growth, and we will need to properly prioritize our efforts in four distinct target markets as our business grows. If we are unable to do so, our business, financial condition and results of operations may be adversely affected.***

Our business has grown rapidly. Continued growth may place a strain on our human and capital resources. If we grow too rapidly or if our headcount or other aspects of our operating structure become misaligned with our strategy, we may need to reduce headcount or other operating costs. For example, in December 2014, as part of an adjustment to our operating and expense strategy related to the ramping up of the Solazyme Bunge JV production facility, we announced the intention to decrease operating expenses through a reduction in workforce and other cost-cutting measures. See the risk factor titled “We may experience significant delays and/or cost overruns in financing, designing, constructing and ramping up large commercial manufacturing facilities, which could result in harm to our business and prospects” above for more information. Such reductions in workforce can have an adverse effect on our business.

Furthermore, we intend to conduct our business internationally and anticipate business operations in the United States, Europe, Latin America and elsewhere. These diversified, global operations place increased demands on our limited resources and may require us to substantially expand the capabilities of our administrative and operational resources and will require us to attract, train, manage and retain qualified management, technicians, scientists and other personnel. As our operations expand domestically and internationally, we will need to continue to manage multiple locations and additional relationships with various customers, partners, suppliers and other third parties across several product categories and markets.

Our growth is taking place across four distinct target markets: fuels and chemicals, nutrition, oil field services and skin and personal care. We will be required to prioritize our limited financial and managerial resources as we pursue particular development and commercialization efforts in each target market. Any resources we expend on one or more of these efforts could be at the expense of other potentially profitable opportunities. If we focus our efforts and resources on one or more of these markets and they do not lead to commercially viable products, our revenues, financial condition and results of operations could be adversely affected. Furthermore, as our operations continue to grow, the simultaneous management of development, production and commercialization across all four target markets will become increasingly complex and may result in less than optimal allocation of management and other administrative resources, increase our operating expenses and harm our operating results.

Our ability to effectively manage our operations, growth and various projects across our target markets will require us to make additional investments in our infrastructure to continue to improve our operational, financial and management controls and our reporting systems and procedures and to attract and retain sufficient numbers of talented employees, which we may be

unable to do effectively. We may be unable to successfully manage our expenses in the future, which may negatively impact our gross margins or operating margins in any particular quarter.

In addition, we may not be able to improve our management information and control systems, including our internal control over financial reporting, to a level necessary to manage our growth and we may discover deficiencies in existing systems and controls that we may not be able to remediate in an efficient or timely manner.

***We are involved, and may become involved in the future, in legal proceedings that, if adversely adjudicated or settled, could adversely affect our financial results.***

We, and certain of our officers and directors, are involved, and may be involved in the future, in legal proceedings and claims arising in the course of our business. Such matters are subject to many uncertainties and there can be no assurance that such legal proceedings will not have a material adverse effect on our business, results of operations, financial position or cash flows. The information relating to "Legal Matters" set forth under Note 15 - Commitments and Contingencies of the notes to the unaudited interim condensed consolidated financial statements of this report describes our the legal proceedings in which we are currently engaged.

We cannot predict the outcome of any legal proceeding in which we are engaged. Moreover, any conclusion of legal proceedings in a manner adverse to us could have an adverse effect on our financial condition and business. Even if we are successful in litigation, we could incur substantial costs, suffer a significant adverse impact on our reputation and divert management's attention and resources from other priorities, including the execution of business plans and strategies that are important to our ability to grow our business, any of which could have an adverse effect on our business. Legal proceedings may result in significant legal expenses, settlement costs or damage awards that are not covered by, or exceed the limits of, our liability insurance, which could adversely impact our financial condition, results of operations or cash flow.

***Our success depends in part on recruiting and retaining key personnel and, if we fail to do so, it may be more difficult for us to execute our business strategy. We are currently a small organization and will need to hire additional personnel to execute our business strategy successfully.***

Our success depends on our continued ability to attract, retain and motivate highly qualified management, business development, manufacturing and scientific personnel and directors, and on our ability to develop and maintain important relationships with leading academic institutions and scientists. We are highly dependent upon a number of key members of our senior management, including manufacturing, business development and scientific personnel, and on our directors. If any of such persons left, our business could be harmed. All of our employees and directors are at-will and may resign at any time. The loss of the services of one or more of our key employees, or directors could delay or have an impact on the successful commercialization of our products. We do not maintain any key man insurance. Competition for qualified personnel in the biotechnology field is intense, particularly in the San Francisco Bay Area. We may not be able to attract and retain qualified personnel on acceptable terms given the competition for such personnel. In addition, the restructuring that we implemented in December 2014 could have an adverse impact on our ability to retain and recruit qualified personnel. If we are unsuccessful in our recruitment efforts, we may be unable to execute our strategy.

***We may not be able to meet applicable regulatory requirements for the sale of our microalgae-based products and the operation of production facilities, and, even if requirements are met, complying on an ongoing basis with the numerous regulatory requirements applicable to our various product categories and facilities will be time-consuming and costly.***

Our chemical products may be subject to government regulation in our target markets. In the United States, the EPA administers the Toxic Substances Control Act ("TSCA"), which regulates the commercial registration, distribution, and use of chemicals. TSCA will require us to comply with the Microbial Commercial Activity Notice ("MCAN") process to manufacture and distribute products made from our recombinant microalgae strains. An MCAN is not required for non-recombinant strains. To date, we have filed MCANs for certain of our recombinant microalgae strains, all of which have been dropped from review. Our subsequent filing of Notices of Commencement (NOC) relating to previously filed MCANs allows us to commercially use these strains. We expect to file additional MCANs in the future.

Before we can manufacture or distribute significant volumes of a chemical, we need to determine whether that chemical is listed in the TSCA inventory. If the substance is listed, then manufacture or distribution can commence immediately. If not, then a pre-manufacture notice ("PMN") must be filed with the EPA for a review period of up to 90 days excluding extensions. We have filed PMNs for certain of our products and expect to file additional PMNs in the future. Some of the products we produce or plan to produce are already on the TSCA inventory due to our successful PMN submissions and filed NOCs. Others are not yet listed. We may not be able to expediently receive approval from the EPA to list the chemicals we would like to make on the TSCA inventory, resulting in delays or significant increases in testing requirements. A similar program exists in the

European Union, called REACH (Registration, Evaluation, Authorization, and Restriction of Chemical Substances). We are required to register some of our products with the European Commission, and this process could cause delays or significant costs. We have determined that some of our algal oils are exempt from REACH registration requirements. To the extent that other geographies, such as Brazil, may rely on the TSCA or REACH for chemical registration in their geographies, delays with the U.S. or European authorities may subsequently delay entry into these markets as well. Furthermore, other geographies may have their own chemical inventory requirements, which may delay entry into these markets, irrespective of U.S. or European approval.

Our nutrition products are subject to regulation by various government agencies, including the U.S. Food and Drug Administration ("FDA"), state and local agencies and similar agencies outside the United States. In the U.S., food ingredients are regulated either as food additives or as substances generally recognized as safe, or GRAS. A GRAS self-determination can be made with respect to a substance by its manufacturer upon the receipt of an opinion from a panel of independent qualified experts who determine that the substance is GRAS for its intended conditions of use. A GRAS Notice for one algal oil was submitted to the FDA in June 2011, and a "no questions" letter was received from the FDA in June 2012. A GRAS Notice for each of whole algal flour and whole algal protein was submitted to the FDA, and a "no questions" letter was received for each from the FDA in 2013 for whole algal flour and 2014 for whole algal protein. A GRAS Notice for our second algal oil, an oleic algal oil, was submitted in July 2014 and received a "no questions" letter in February 2015. If the FDA were to disagree with the conclusions in future GRAS Notices, they could ask that the products be voluntarily withdrawn from the market or could initiate legal action to halt their sale. Such actions by the FDA could have an adverse effect on our business, financial condition, and results of our operations. Food ingredients that are not GRAS are regulated as food additives and require FDA approval prior to commercialization. The food additive petition process is generally expensive and time consuming, with approval, if secured, taking years. In Brazil, we submitted applications to the Brazilian Health Surveillance Agency (ANVISA) for approval of various food products. We received food approval with no restrictions for our whole algal flour in July 2015. Other products may or may not be approved in the future. Any significant delay or disapproval by ANVISA of our food products would adversely affect our nutrition business in Brazil.

The sale and/or use of diesel and jet fuels produced from our oils are subject to regulation by various government agencies, including the Environmental Protection Agency ("EPA") and the California Air Resources Board in the United States. To date, we have registered only our Soladiesel ® RD fuel in the United States. We or our refining or commercialization partners or customers may be required to register our fuel in the United States, with the European Commission and elsewhere before selling our products.

The sale of ingredients for use in animal feed is regulated by agencies including the FDA Center for Veterinary Medicine ("CVM"). Regulatory requirements for suitability must be met by providing data from studies, which may cause delays and the incursion of additional costs.

Our personal care products are subject to regulation by various government agencies both within and outside the United States. Such regulations principally relate to the ingredients, labeling, packaging and marketing of our personal care products.

Changes in regulatory requirements, laws and policies, or evolving interpretations of existing regulatory requirements, laws and policies, may result in increased compliance costs, delays, capital expenditures and other financial obligations that could adversely affect our business or financial results.

We expect to encounter regulations in most if not all of the countries in which we may seek to sell our products, and we cannot be sure that we will be able to obtain necessary approvals in a timely manner or at all. If our products do not meet applicable regulatory requirements in a particular country or at all, then we may not be able to commercialize them and our business will be adversely affected. The various regulatory schemes applicable to our products will continue to apply following initial approval for sale. Monitoring regulatory changes and ensuring our ongoing compliance with applicable requirements will be time-consuming and may affect our results of operations. If we fail to comply with such requirements on an ongoing basis, we may be subject to fines or other penalties, or may be prevented from selling our products, and our business may be harmed.

The construction and operation of our, our partners' or our joint ventures' production facilities are likely to require government approvals. If we are not able to obtain or maintain the necessary approvals in a timely manner or at all, our business will be adversely affected. In February 2014, the Sao Paulo State Environmental Department granted a license to operate the Solazyme Bunge JV facility, which was necessary to begin commercial production.

***We may incur significant costs complying with environmental, health and safety laws and regulations, and failure to comply with these laws and regulations could expose us to significant liabilities.***

We use hazardous chemicals and radioactive and biological materials in our business and are subject to a variety of federal, state, local and international laws and regulations governing, among other matters, the use, generation, manufacture, transportation, storage, handling, disposal of, and human exposure to, these materials both in the U.S. and outside the U.S., including regulation by governmental regulatory agencies, such as the Occupational Safety and Health Administration and the EPA. We have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of our business in complying with these laws and regulations.

Although we have implemented safety procedures for handling and disposing of these materials and waste products in an effort to comply with these laws and regulations, we cannot be sure that our safety measures will be compliant or capable of eliminating the risk of injury or contamination from the generation, manufacturing, use, storage, transportation, handling, disposal of, and human exposure to, hazardous materials. Failure to comply with environmental, health and safety laws could subject us to liability and resulting damages. There can be no assurance that violations of environmental, health and safety laws will not occur as a result of human error, accident, equipment failure or other causes. Compliance with applicable environmental laws and regulations may be expensive, and the failure to comply with past, present, or future laws could result in the imposition of fines, regulatory oversight costs, third party property damage, product liability and personal injury claims, investigation and remediation costs, the suspension of production, or a cessation of operations, and our liability may exceed our total assets. Liability under environmental laws, such as the Comprehensive Environmental Response Compensation and Liability Act in the United States, can impose liability for the full amount of damages, without regard to comparative fault for the investigation and cleanup of contamination and impacts to human health and for damages to natural resources. Contamination at properties we own and operate, and at properties to which we send hazardous materials, may result in liability for us under environmental laws and regulations.

Our business and operations will be affected by other new environmental, health and safety laws and regulations, which may affect our research and development and manufacturing programs, and environmental laws could become more stringent over time, requiring us to change our operations, or resulting in greater compliance costs and increasing risks and penalties associated with violations, which could impair our research, development or production efforts and harm our business. The costs of complying with environmental, health and safety laws and regulations, and any claims concerning noncompliance, or liability with respect to contamination in the future could have a material adverse effect on our financial condition or operating results.

***Changes in government regulations, including subsidies and economic incentives, could have a material adverse effect on demand for our products, business or results of operations.***

The market for renewable fuels is heavily influenced by foreign, federal, state and local government regulations and policies. Changes to existing, or adoption of new, domestic or foreign federal, state or local legislative initiatives that impact the production, distribution, sale or import and export of renewable fuels may harm our business. For example, in 2007, the Energy Independence and Security Act (“EISA”) of 2007 set targets for alternative sourced liquid transportation fuels (approximately 14 billion gallons in 2011, increasing to 36 billion gallons by 2022). Of the 2022 target amount, a minimum of 21 billion gallons must be advanced biofuels. In the U.S. and in a number of other countries, these regulations and policies have been modified in the past and may be modified again in the future. For example, in 2015, the U.S. Environmental Protection Agency (EPA) proposed a reduction in the volume of total renewable fuel from the 2015 statutory target of 20.5 billion gallons to 16.3 billion gallons. In addition, the EPA delayed issuing the 2014 and 2015 standards for the renewable fuel standard program. In light of this delay, the compliance demonstration deadlines for the 2014 and 2015 renewable fuel standards will also be delayed. The elimination of, or any additional reduction in, mandated requirements for fuel alternatives and additives to gasoline may cause demand for biofuels to decline and deter investment in the research, development or commercial adoption of renewable fuels.

In addition, the U.S. Congress has passed legislation that extends tax credits to blenders of certain renewable fuel products. However, there is no assurance that this or any other favorable legislation will remain in place. For example, the biofuel tax credit expires annually, and is therefore at risk every year for delay of approval. The most recent biofuel tax credit expired in December 2013 and its extension was not approved until December 2014. Any reduction in, phasing out or elimination of existing tax credits, subsidies and other incentives in the U.S. and foreign markets for renewable fuels, or any inability of our customers to access such credits, subsidies and incentives, may adversely affect demand for our fuel products and increase the overall cost of commercialization of our renewable fuels, which would adversely affect our business.

In addition, market uncertainty regarding future policies may also affect our ability to develop new renewable products, license our technologies to third parties and sell products to end customers. Any inability to address these requirements and any regulatory or policy changes could have a material adverse effect on our business, financial condition and results of operations.

Conversely, government programs could increase investment and competition in the markets for our products. For example, various governments have announced a number of spending programs focused on the development of clean technology, including alternatives to petroleum-based fuels and the reduction of greenhouse gas ("GHG") emissions, which could lead to increased funding for us or our competitors, or the rapid increase in the number of competitors within our markets.

Concerns associated with renewable fuels, including land usage, national security interests and food crop usage, are receiving legislative, industry and public attention. This could result in future legislation, regulation and/or administrative action that could adversely affect our business. When and how these requirements and any regulatory or policy changes are addressed could have a material adverse effect on our business, financial condition and results of operations.

Future government policies may adversely affect the supply of sugarcane, corn or cellulosic sugars, restricting our ability to use these feedstocks to produce our products, and negatively impact our revenues and results of operations.

***We may face risks relating to the use of our targeted recombinant microalgae strains, and if we are not able to meet applicable regulatory requirements for the use of these strains or if we face material ethical, legal and social concerns about our use of targeted recombinant technology, our business could be adversely affected.***

The use of microorganisms designed using targeted recombinant technology, such as some of our microalgae strains, is subject to laws and regulations in many states and countries, some of which are new and still evolving and interpreted by fact specific application. In the United States, the EPA regulates the commercial use of microorganisms designed using targeted recombinant technology as well as potential products derived from them.

We expect to encounter regulations of microorganisms designed using targeted recombinant technology in most if not all of the countries in which we may seek to establish manufacturing operations, and the scope and nature of these regulations will likely be different from country to country. For example, in the U.S., when used in an industrial process, our microalgae strains designed using targeted recombinant technology may be considered new chemicals under the TSCA, administered by the EPA. We will be required to comply with the EPA's process. In Brazil, microorganisms designed using targeted recombinant technology are regulated by the National Biosafety Technical Commission, or CTNBio. In March 2013, we submitted an application for approval from CTNBio to use a specific microalgae strain designed using targeted recombinant technology in a contained environment in order to use these microalgae for research and development and commercial production purposes in any facilities we establish in Brazil. We obtained approval for this application from CTNBio in October 2013. In February 2014, CTNBio granted a CQB (Certificate of Quality in Biosafety) to the Solazyme Bunge JV facility for activities including industrial production, import and export, disposal and storage of our key production organisms. If we cannot meet the applicable requirements in countries in which we intend to produce microalgae-based products, or if it takes longer than anticipated to obtain such approvals, our business could be adversely affected.

The subject of organisms designed using targeted recombinant technology has received negative publicity, which has aroused public debate. Public attitudes about the safety and environmental hazards of, and ethical concerns over, genetic research and microorganisms designed using targeted recombinant technology could influence public acceptance of our technology and products. In addition, shifting public attitudes regarding, and potential changes to laws governing, ownership of genetic material could harm our intellectual property rights with respect to our genetic material and discourage collaborators from supporting, developing, or commercializing our products, processes and technologies. Governmental reaction to negative publicity concerning organisms designed using targeted recombinant technology could result in greater government regulation of or trade restrictions on imports of genetic research and derivative products. If we and/or our collaborators are not able to overcome the ethical, legal, and social concerns relating to the use of targeted recombinant technology, our products and processes may not be accepted or we could face increased expenses, delays or other impediments to their commercialization.

***We expect to face competition for our products in the fuels and chemicals markets from providers of products based on petroleum, plant oils and animal fats and from other companies seeking to provide alternatives to these products, many of whom have greater resources and experience than we do. If we cannot compete effectively against these companies or products, we may not be successful in bringing our products to market or further growing our business.***

In the chemical market, we will compete with the established providers of oils currently used in chemical products. Producers of these incumbent products include global oil companies, including those selling agricultural products such as palm oil, palm kernel oil, castor bean oil and sunflower oil, large international chemical companies and other companies specializing in specific products or essential oils. We may also compete in one or more of these markets with manufacturers of other

products such as highly refined petrochemicals, synthetic polymers and other petroleum-based fluids and lubricants as well as new market entrants offering renewable products.

In the transportation fuels market, we expect to compete with independent and integrated oil refiners, large oil and gas companies and, in certain fuels markets, with other companies producing advanced biofuels. The refiners compete with us by selling conventional fuel products, and some are also pursuing hydrocarbon fuel production using non-renewable feedstocks, such as natural gas and coal, as well as production using renewable feedstocks, such as vegetable oil and biomass. We also expect to compete with companies that are developing the capacity to produce diesel and other transportation fuels from renewable resources in other ways. These include advanced biofuels companies using specific engineered enzymes that they have developed to convert cellulosic biomass, which is non-food plant material such as wood chips, corn stalks and sugarcane bagasse, into fermentable sugars and ultimately, renewable diesel and other fuels. Biodiesel companies convert vegetable oils and animal oils into diesel fuel and some are seeking to produce diesel and other transportation fuels using thermochemical methods to convert biomass into renewable fuels.

We believe the primary competitive factors in both the fuels and chemicals markets are product price, product performance, sustainability, availability of supply and compatibility of products with existing infrastructure.

The oil companies, large chemical companies and well-established agricultural products companies with whom we expect to compete are much larger than we are, have, in most cases, well-developed distribution systems and networks for their products, have valuable historical relationships with the potential customers we are seeking to serve and have much more extensive sales and marketing programs in place to promote their products. Some of our competitors may use their influence to impede the development and acceptance of our products. Our limited resources relative to many of our competitors may cause us to fail to anticipate or respond adequately to new developments and other competitive pressures. In the nascent markets for renewable fuels and chemicals, it is difficult to predict which, if any, market entrants will be successful, and we may lose market share to competitors producing new or existing renewable products.

***We expect to face competition for our nutrition and skin and personal care products from other companies in these fields, many of whom have greater resources and experience than we do. If we cannot compete effectively against these companies or their products, we may not be successful in selling our products or further growing our business.***

We expect that our nutrition products will compete with providers in both the specialty and mass food ingredient markets. Many of these companies, such as Cargill, Incorporated, Monsanto Company, Syngenta AG and Roquette Frères, S.A., are larger than we are, have well-developed distribution systems and networks for their products and have valuable historical relationships with the potential customers and distributors we hope to serve. We may also compete with companies seeking to produce nutrition products based on renewable oils, including DSM Food Specialties and DuPont Nutrition & Health. Our success in the development of nutrition products will depend on our ability to effectively compete with established companies and successfully commercialize our products.

In the skin and personal care market, we expect to compete with established companies and brands with loyal customer followings. The market for skin and personal care products is characterized by strong established brands, loyal brand following and heavy brand marketing. We will compete with companies with well-known brands such as Kinerase ®, Perricone MD ®, and StriVectin ®. These companies have greater sales and marketing resources than us. We will also compete in the mass consumer market. Some of our competitors in this market have well-known brands such as Meaningful Beauty ® and Principal Secret ® and have substantially greater sales and marketing resources than us. We have limited experience in the skin and personal care market. We will need to continue to devote substantial resources to the marketing of our products and there can be no assurance that we will be successful.

***We expect to face competition in the oil field services market.***

We expect that Encapso ™ will compete with incumbent drilling lubricant products that are marketed by larger companies with significantly greater resources and experience. Such competitors compete vigorously on fluids performance and price. These companies have broad product and service offerings in addition to their drilling fluids. These larger companies may attempt to compete by offering discounts to customers to use multiple products and services, some of which we do not offer. We may also compete with regional companies that compete on price, performance and local relationships. Our success in this target market will depend on our ability to effectively compete with these established companies, and we may not be able to do so effectively.

***A decline in the price of petroleum and petroleum-based products, plant oils or other commodities may reduce demand for our products and may otherwise adversely affect our business.***

We anticipate that most of our oils, and in particular those used to produce fuels, will be marketed as alternatives to corresponding products based on petroleum and plant oils. When the price of any of these oils falls, as they have recently, we may be unable to produce algal oils or other products that are cost-effective alternatives to their petroleum or plant oil-based counterparts. Declining oil prices, or the perception of a future decline in oil prices, may adversely affect the prices we can obtain from our potential customers or prevent potential customers from entering into agreements with us to buy our products. During sustained periods of lower oil prices we may be unable to sell our products, which could materially and adversely affect our operating results. For example, in part as a result of the recent drop in the prices of petroleum and certain plant oils, the ramp up of the Solazyme Bunge JV's production facility in Brazil will be slower than, and the mix of products manufactured in that facility and in the Clinton facility will be different from, what we previously anticipated as production will be focused primarily on higher margin products.

Petroleum prices have been extremely volatile, and this volatility is expected to persist. Lower petroleum prices over extended periods of time may change the perceptions in government and the private sector that cheaper, more readily available energy alternatives should be developed and produced. If petroleum prices remain at present levels or decline to lower levels for extended periods of time, the demand for renewable fuels could be reduced, and our business and revenue may be harmed.

Prices of plant oils have also experienced significant volatility. If prices for oils such as palm kernel were to materially decrease in the future, there may be less demand for oil alternatives, which could reduce demand for our products and harm our business. The prices of commodities that serve as food ingredients have also been volatile. To the extent that the prices of these commodities decline and remain at lower levels for extended periods of time, the demand for our nutrition products may be reduced, and our ability to successfully compete in this market may be harmed.

***Our information technology systems, processes and sites may suffer a significant breach or disruption that may adversely affect our ability to conduct our business.***

Our information technology systems, some of which are dependent on services provided by third parties, provide critical data and services for internal and external users, including procurement and inventory management, transaction processing, financial, commercial and operational data, human resources management, legal and tax compliance information and other information and processes necessary to operate and manage our business. Our information technology and infrastructure may experience attacks by hackers, breaches or other failures or disruptions that could compromise our systems and the information stored there. While we have implemented security measures and disaster recovery plans designed to protect the security and continuity of our networks and critical systems, these measures may not adequately prevent adverse events such as breaches or failures from occurring or mitigate their severity if they do occur. If our information technology systems are breached, damaged or fail to function properly due to any number of causes, such as security breaches or cyber-based attacks, systems implementation difficulties, catastrophic events or power outages, and our security, contingency or disaster recovery plans do not effectively mitigate these occurrences on a timely basis, we may experience a material disruption in our ability to manage our business operations. We may also be subject to legal claims or proceedings, liability under laws that protect the privacy of personal information, potential regulatory penalties and damage to our reputation. The occurrence of any of these events may adversely impact our business, results of operations and financial condition, as well as our competitive position.

***Our facilities in California are located near an earthquake fault, and an earthquake or other natural disaster or resource shortage could disrupt our operations.***

Important documents and records, such as hard copies of our laboratory books and records for our products and some of our manufacturing operations, are located in our corporate headquarters in South San Francisco, California, near active earthquake zones. In the event of a natural disaster, such as an earthquake, drought or flood, or localized extended outages of critical utilities or transportation systems, we do not have a formal business continuity or disaster recovery plan, and could therefore experience a significant business interruption. In addition, California from time to time has experienced shortages of water, electric power and natural gas. Future shortages and conservation measures could disrupt our operations and could result in additional expense. Although we maintain business interruption insurance coverage, we do not maintain earthquake or flood coverage.

**Risks Related to Our Intellectual Property**

***Our competitive position depends on our ability to effectively obtain and enforce patents related to our products, manufacturing components and manufacturing processes. If we or our licensors fail to adequately protect this intellectual property, our ability and/or our partners' ability to commercialize products could suffer.***

Our success depends in part on our ability to obtain and maintain patent protection sufficient to prevent others from utilizing our manufacturing components, manufacturing processes or marketing our products, as well as to successfully defend and enforce our patents against infringement by others. In order to protect our products, manufacturing components and manufacturing processes from unauthorized use by third parties, we must hold patent rights that cover our products, manufacturing components and manufacturing processes.

The patent position of biotechnology and bio-industrial companies can be highly uncertain because obtaining and determining the scope of patent rights involves complex legal and factual questions. The standards applied by the U.S. Patent and Trademark Office and foreign patent offices in granting patents are not always applied uniformly or predictably. There is no uniform worldwide policy regarding patentable subject matter, the scope of claims allowable in biotechnology and bio-industrial patents, or the formal requirements to obtain such patents. Consequently, patents may not issue from our pending patent applications. Furthermore, in the process of seeking patent protection or even after a patent is granted, we could become subject to expensive and protracted proceedings, including patent interference, opposition, post-grant review and re-examination proceedings, which could invalidate or narrow the scope of our patent rights. As such, we do not know nor can we predict the scope and/or breadth of patent protection that we might obtain on our products and technology.

Changes either in patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property rights. In the U.S., depending on the decisions and actions taken by the U.S. Congress, the federal courts, and the U.S. Patent and Trademark Office, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. In foreign jurisdictions, depending on the decisions and actions taken by the foreign government, the judicial system of the jurisdiction, and its patent office, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents or patents that we might obtain in the future.

The America Invents Act ("AIA"), which was signed into law on September 16, 2011, brought a number of changes to the U.S. patent system and affects the way patents are prosecuted, challenged and litigated. Among the changes that went into effect on September 16, 2012, one of the most significant involves the implementation of a reformed post-grant review system. Other changes, which went into effect on March 16, 2013, include the transition from a "first-to-invent" to "first-to-file" system that attempts to harmonize the U.S. with most of the world. Lack of precedential interpretation of the new provisions of the AIA through specific cases or through guidelines promulgated by the U.S. Patent and Trademark Office and the lack of binding precedent from the courts increase the uncertainty of the impact of the AIA. Together, these changes may increase the costs of prosecution and enforcement of U.S. patents. While it is currently unclear what impact these changes will have on the operation of our business, they may favor companies able to dedicate more resources to patent filings and challenges.

***Risks associated with enforcing our intellectual property rights in the United States.***

If we were to initiate legal proceedings against a third party to enforce a patent claiming one of our technologies, the defendant could counterclaim that our patent is invalid and/or unenforceable or assert that the patent does not cover its manufacturing processes, manufacturing components or products. Proving patent infringement may be difficult, especially where it is possible to manufacture a product by multiple processes or when a patented process is performed by multiple parties. Patent litigation is also costly, time-consuming and distracting to our management. Furthermore, in patent litigation in the United States or elsewhere, defendant counterclaims alleging both invalidity and unenforceability are commonplace. Although we believe that we have conducted our patent prosecution in accordance with the duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity of our patent rights, we cannot be certain, for example, that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would not be able to exclude others from practicing the inventions claimed therein. Such a loss of patent protection could have a material adverse effect on our business. Defendant counterclaims of antitrust or other anti-competitive conduct are also commonplace.

Even if our patent rights are found to be valid and enforceable, patent claims that survive litigation may not cover commercially viable products or prevent competitors from importing or marketing products similar to our own, or using manufacturing processes or manufacturing components similar to our own.

Although we believe we have obtained valid assignments of patent rights from all inventors, if an inventor did not adequately assign their patent rights to us, a third party could obtain a license to the patent from such inventor. This could preclude us from enforcing the patent against such third party.

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

The laws of some foreign countries where we intend to produce and use our proprietary strains in collaboration with sugar mills or other feedstock suppliers do not protect intellectual property rights to the same extent as the laws of the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, including Brazil,, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology and/or bio-industrial technologies. This could make it difficult for us to stop the infringement of our patents or misappropriation of our intellectual property rights in these countries. Proceedings to enforce our patent rights in certain foreign jurisdictions are unpredictable and could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate.

***Third parties may misappropriate our proprietary strains, information, or trade secrets despite a contractual obligation not to do so.***

Third parties (including joint venture, collaboration, development and feedstock partners and former partners, contract manufacturers, and other contractors and shipping agents) often have custody or control of our proprietary microbe strains. If our proprietary microbe strains were stolen, misappropriated or reverse engineered, they could be used by other parties who may be able to use our strains or reverse-engineered strains for their own commercial gain. It is difficult to prevent misappropriation or subsequent reverse engineering. In the event that our proprietary microbe strains are misappropriated, it could be difficult for us to challenge the misappropriation or prevent reverse engineering, especially in countries with limited legal and intellectual property protection.

***Confidentiality agreements with employees and third parties may not prevent unauthorized disclosure of proprietary information and trade secrets.***

In addition to patents, we rely on confidentiality agreements to protect our technical know-how and other proprietary information. Confidentiality agreements are used, for example, when we talk to potential strategic partners. In addition, each of our employees signed a confidentiality agreement upon joining our company. Nevertheless, there can be no guarantee that an employee or an outside party will not make an unauthorized disclosure or use of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures.

We also keep as trade secrets certain technical and proprietary information where we do not believe patent protection is appropriate, desirable or obtainable. However, trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators, partners, former partners and other advisors may unintentionally or willfully disclose our trade secrets to competitors or otherwise use misappropriated trade secrets to compete with us. It can be expensive and time consuming to enforce a claim that a third party illegally obtained and is using our trade secrets. Furthermore, the outcome of such claims is unpredictable. In addition, courts outside the United States may be less willing to or may not protect trade secrets. Moreover, our competitors may independently design around our intellectual property or develop equivalent knowledge, methods and know-how without misappropriating or otherwise violating our trade secret rights. Where a third party independently designs around our intellectual property or develops equivalent knowledge, methods and know-how without misappropriating or otherwise violating our trade secret rights, they may be able to seek patent protection for such equivalent knowledge, methods and know-how. This could prohibit us from practicing our trade secrets.

***Claims by patent holders that our products or manufacturing processes infringe their patent rights could result in costly litigation or could require substantial time and money to resolve, whether or not we are successful, and an unfavorable outcome in these proceedings could have a material adverse effect on our business.***

Our ability to commercialize our technology depends on our ability to develop, manufacture, market and sell our products without infringing the proprietary rights of patent holders or their authorized agents. An issued patent does not guarantee us the right to practice or utilize the patented inventions or commercialize the patented product. Third parties may have blocking patents that may prevent us from commercializing our patented products and utilizing our patented manufacturing components and manufacturing processes. In the event that we are made aware of blocking third party patents,

we cannot be sure that licenses to the blocking third-party patents would be available or obtainable on terms favorable to us or at all.

Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, relate to (1) the production of bio-industrial products, including edible ingredients, oils, chemicals, drilling fluids and biofuels, and (2) the use of microalgae strains, such as microalgae strains containing genes to alter oil composition. As such, there could be existing valid patents that our manufacturing processes, manufacturing components, or products may inadvertently infringe. There could also be existing invalid or unenforceable patents that could nevertheless be asserted against us and would require expenditure of resources to defend. In addition, there are pending patent applications that are currently unpublished and therefore unknown to us that may later result in issued patents that are infringed by our products, manufacturing processes or other aspects of our business.

We may be exposed to future litigation based on claims that our products, manufacturing processes or manufacturing components infringe the intellectual property rights of others. There is inevitable uncertainty in any litigation, including patent litigation. Defending against claims of patent infringement is costly and time consuming, regardless of the outcome. Thus, even if we were to ultimately prevail, or to settle at an early stage of litigation, such litigation could burden us with substantial unanticipated costs. Some of our competitors are larger than we are and have substantially greater resources. These competitors are, therefore, likely to be able to sustain the costs of complex patent litigation longer than we could. In addition, the costs and uncertainty associated with patent litigation could have a material adverse effect on our ability to continue our internal research and development programs, in-license needed technology, or enter into strategic partnerships that would help us commercialize our technologies. In addition, litigation or threatened litigation could result in significant demands on the time and attention of our management team, distracting them from the pursuit of other company business.

If a party successfully asserts a patent or other intellectual property rights against us, we might be barred from using certain of our manufacturing processes or manufacturing components, or from developing and commercializing related products. Injunctions against using specified processes or components, or prohibitions against commercializing specified products, could be imposed by a court or by a settlement agreement between us and a third party. In addition, we may be required to pay substantial damage awards to the third party, including treble or enhanced damages if we are found to have willfully infringed the third party's intellectual property rights. We may also be required to obtain a license from the third party in order to continue manufacturing and/or marketing the products that were found to infringe. It is possible that the necessary license will not be available to us on commercially acceptable terms, or at all. This could limit our ability to competitively commercialize some or all of our products.

During the course of any patent litigation, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our products, technology or intellectual property could be diminished. Accordingly, the market price of our common stock may decline.

***We have received government funding in connection with the development of certain of our proprietary technologies, which could negatively affect our intellectual property rights in such technologies.***

Some of our proprietary technology was developed with U.S. federal government funding. When new technologies are developed with U.S. government funding, the government obtains certain rights in any resulting patents, including a nonexclusive license authorizing the government to use the invention for non-commercial purposes. These rights may permit the government to disclose our confidential information to third parties and to exercise "march-in" rights to use or allow third parties to use our patented technology. The government can exercise its march-in rights if it determines that action is necessary because we fail to achieve practical application of the U.S. government-funded technology, because action is necessary to alleviate health or safety needs, to meet requirements of federal regulations, or to give preference to U.S. industry. In addition, U.S. government-funded inventions must be reported to the government and U.S. government funding must be disclosed in any resulting patent applications. In addition, our rights in such inventions are subject to government license rights and foreign manufacturing restrictions. Any exercise by the government of such rights could harm our competitive position or impact our operating results.

In addition, some of our technology was funded by a grant from the State of California. Inventions funded by this grant may be subject to forfeiture if we do not seek to patent or practically apply them. Any such forfeiture could have a materially adverse effect on our business. For proprietary technology developed with funding from the State of California, certain confidential information may be disclosed to third parties by the State of California. Our rights in such inventions are subject to State of California license and march-in rights. Any exercise by the State of California of such rights could harm our competitive position or impact our operating results.

**Risks Related to Our Finances and Capital Requirements**

***Our financial results could vary significantly from quarter to quarter and are difficult to predict.***

Our revenues and results of operations could vary significantly from quarter to quarter because of a variety of factors, many of which are outside of our control. As a result, comparing our results of operations on a period-to-period basis may not be meaningful. Factors that could cause our quarterly results of operations to fluctuate include:

- achievement, or failure to achieve, technology or product development milestones needed to allow us to enter target markets on a cost effective basis;
- delays or greater than anticipated expenses or time associated with the completion of new manufacturing facilities and the ramp up to nameplate capacity and optimization of production following completion of a new manufacturing facility;
- delays or greater than anticipated expenses associated with the provision of key support and/or operational services to manufacturing facilities;
- our capital requirements or capital requirements of our joint ventures;
- our ability to effectively manage larger working capital positions as we increase commercial production and distribution of our products;
- disruptions in the production process at any facility where we produce our products, including due to equipment failure or accidents;
- the timing, size and mix of sales to customers for our products;
- increases in price or decreases in availability of feedstocks;
- fluctuations in the price of, and demand for, products based on petroleum or other oils for which our products are alternatives;
- the unavailability of contract manufacturing capacity altogether or at anticipated cost;
- fluctuations in foreign currency exchange rates;
- seasonal production and sale of our products;
- the effects of competitive pricing pressures, including decreases in average selling prices of our products;
- unanticipated expenses associated with changes in governmental regulations and environmental, health and safety requirements;
- reductions or changes to existing regulations and policies that impact the fuel, chemical, nutrition, oil field services or skin and personal care markets;
- departure of key employees;
- business interruptions, such as earthquakes and other natural disasters;
- our ability to integrate businesses that we may acquire;
- risks associated with the international aspects of our business; and
- changes in general economic, industry and market conditions, both domestically and in foreign markets in which we operate.

Due to these factors and others the results of any quarterly or annual period may not meet our expectations or the expectations of our investors and may not be meaningful indications of our future performance.

***We may require additional financing in the future and may not be able to obtain such financing on favorable terms, if at all, which could force us to delay, reduce or eliminate our research and development or commercialization activities.***

To date, we have financed our operations primarily through our initial public offering, completed in June 2011, public and private placements of our equity and convertible debt securities, credit facilities, government grants and funding from strategic partners. In January 2013 we issued $125.0 million aggregate principal amount of convertible senior subordinated notes due 2018 (the "2018 Notes"). The 2018 Notes bear interest at a rate of 6.00% per year, payable in cash semi-annually. In April 2014 we issued 5,750,000 shares of our common stock and $149.5 million aggregate principal amount of convertible senior subordinated notes due 2019 (the "2019 Notes"). The 2019 Notes bear interest at a rate of 5.00% per year, payable in cash semi-annually. As of June 30, 2015, approximately $61.6 million aggregate principal amount of the 2018 Notes was outstanding and approximately $149.5 million aggregate principal amount of the 2019 Notes was outstanding. We have also entered into the HSBC facility that provides for a $35.0 million revolving facility for working capital and letters of credit. While we plan to enter into relationships with partners or collaborators for them to provide some portion or all of the capital needed to build production facilities, we may determine that it is more advantageous for us to provide some portion or all of the financing for new production facilities. Some of our previous funding has come from government grants; however, our future ability to obtain government grants is uncertain due to the competitive bid process and other factors.

In addition, we may have to raise additional funds through public or private debt or equity financings to meet our capital requirements, including our portion of joint venture funding requirements. For example, although the Solazyme Bunge JV entered a loan agreement with BNDES for project financing funding to support the joint venture's production facility in Brazil, including a portion of the construction costs of the facility, and has drawn on the funds, if we are unable to finalize the corporate guarantee documentation on acceptable terms, the Solazyme Bunge JV will be unable to draw down amounts under the loan in excess of amounts supported by bank guarantees and may have to seek additional financing. If the Solazyme Bunge JV is unable to secure additional financing, we will be required to fund our portion of the Solazyme Bunge JV's capital requirements from existing sources or seek additional financing. In addition, our working capital requirements and the working capital requirements of the Solazyme Bunge JV are likely to increase as we and the Solazyme Bunge JV each increase production due to an increase in inventory and the manufacture of out-of-specification product during the ramp-up of commercial production. We may not be able to raise sufficient additional funds on terms that are favorable to us, if at all. If we fail to raise sufficient funds and continue to incur losses, our ability to fund our operations, take advantage of strategic opportunities, develop and commercialize products or technologies, or otherwise respond to competitive pressures could be significantly limited. If this happens, we may be forced to delay or terminate research and development programs or the commercialization of products resulting from our technologies, curtail or cease operations or obtain funds through collaborative and licensing arrangements that may require us to relinquish commercial rights, or grant licenses on terms that are not favorable to us. If adequate funds are not available, we will not be able to successfully execute our business plan or continue our business.

***Servicing our debt will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay amounts due under our indebtedness.***

As of June 30, 2015, our total consolidated indebtedness was $211.1 million. Of our $211.1 million of indebtedness, $0 is currently secured. In the event the Solazyme Bunge JV draws funds under the BNDES loan in excess of the amount supported by bank guarantees, we may be required to provide a corporate guarantee with respect to such excess amount.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the 2018 Notes and the 2019 Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

***Despite our current debt levels, we may still incur substantially more debt or take other actions which would intensify the risks discussed above.***

Despite our current consolidated debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We are not restricted under the terms of the indentures governing the 2018 Notes and 2019 Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indentures governing the 2018 Notes and the 2019 Notes that could have the effect of diminishing our ability to make payments

on the notes when due. Our existing HSBC facility restricts our ability to incur additional indebtedness, including secured indebtedness, but if the facility matures or is repaid, we may not be subject to such restrictions under the terms of any subsequent indebtedness.

***We have received government grant funding and entered contracts with government agencies, and may pursue government grant funding or contracts in the future. Our receipt of government funds through grants and contracts subjects us to additional regulatory oversight.***

We have received government grants and have entered contracts with government agencies in the past. Activities funded by a government grant or pursuant to government contracts are subject to audits by government agencies. As part of an audit, these agencies may review our performance, cost structures and compliance with applicable laws, regulations and standards. Grant funds must be applied by us toward the research and development programs specified by the granting agency, rather than for all of our programs generally. If any of our grant-funded costs are found to be allocated improperly, the costs may not be reimbursed and any costs already reimbursed may have to be refunded. Accordingly, an audit could result in an adjustment to our revenues and results of operations. We are also subject to additional regulations based on our receipt of government grant funding and entry into government contracts. If we fail to comply with the requirements under our grants or contracts, we may face penalties or other negative consequences, and in such event we may not be awarded government funding or contracts in the future.

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

If appropriate opportunities become available, we may seek to acquire additional businesses, assets, technologies or products to enhance our business. In connection with any acquisitions, we could issue additional equity or equity-linked securities such as the 2018 Notes or 2019 Notes, which would dilute our stockholders, incur substantial debt to fund the acquisitions, or assume significant liabilities.

Acquisitions involve numerous risks, including problems integrating the purchased operations, technologies or products, unanticipated costs and other liabilities, diversion of management's attention from our core businesses, adverse effects on existing business relationships with current and/or prospective collaborators, customers and/or suppliers, risks associated with entering markets in which we have no or limited prior experience and potential loss of key employees. Acquisitions may also require us to record goodwill and non-amortizable intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges, incur amortization expenses related to certain intangible assets, and incur write offs and restructuring and other related expenses, any of which could harm our operating results and financial condition. If we fail in our integration efforts with respect to any of our acquisitions and are unable to efficiently operate as a combined organization, our business and financial condition may be adversely affected.

***Raising additional funds may cause dilution to our stockholders or require us to relinquish valuable rights.***

If we elect to raise additional funds through equity offerings or offerings of equity-linked securities, our stockholders would likely experience dilution. Debt financing, if available, may subject us to restrictive covenants that could limit our flexibility in conducting future business activities. For example, the HSBC facility contains financial covenants that, if breached, would require us to secure our obligations thereunder. To the extent that we raise additional funds through collaboration and licensing arrangements, it may be necessary for us to share a portion of the margin from the sale of our products. We may also be required to relinquish or license on unfavorable terms our rights to technologies or products that we otherwise would seek to develop or commercialize ourselves.

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

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002 requires us and our independent registered public accounting firm to evaluate and report on our internal control over financial reporting, and have our chief executive officer and chief financial officer certify as to the accuracy and completeness of our financial reports. The process of implementing our internal controls and complying with Section 404 is expensive and time consuming, and requires significant attention from management. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future.

Our management has concluded that there were no material weaknesses in our internal controls over financial reporting as of December 31, 2014. However, there can be no assurance that our controls over financial processes and reporting will be

effective in the future or that material weaknesses or significant deficiencies in our internal controls will not be discovered in the future. Because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price.

**Risks Relating to Securities Markets and Investment in Our Stock**

***The price of our common stock may be volatile.***

Stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. In addition, the average daily trading volume of the securities of small companies, particularly small technology companies, can be very low. Limited trading volume of our stock may contribute to its volatility. Price declines in our common stock could result from general market and economic conditions and a variety of other factors, including any of the risk factors described in this report.

These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. The market price of our common stock could also be affected by possible sales of our common stock by investors who view our convertible notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect involving our common stock.

***The sale or issuance by us of substantial amounts of our common stock could adversely impact the trading price of our common stock.***

A substantial number of shares of our common stock may be issued in connection with the exercise of options outstanding under our equity incentive plans, the vesting of restricted stock awards and restricted stock units, the exercise of outstanding warrants, or the conversion of, or exchange for, outstanding 2018 Notes and 2019 Notes. See Note 2 in the accompanying notes to our audited consolidated financial statements for additional information regarding the number of outstanding shares of potentially dilutive securities. Also see Note 14 in the accompanying notes for information regarding the possible conversion of the 2018 Notes and 2019 Notes into shares of our common stock. Further, under our Collaboration Agreement with ADM, we have the right to deliver our common stock for a portion of the annual amounts due under the agreement for use and operation of a portion of the Clinton Facility. In addition, we expect to issue additional shares under our equity incentive plans and employee stock purchase plan in the future. In the future, we may issue additional shares of common stock or other equity-linked securities to raise additional capital.

Any future sale or issuance of common stock could adversely impact the trading price of our common stock.

***Our certificate of incorporation, our bylaws and Delaware law contain provisions that could discourage another company from acquiring us and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions of Delaware law (where we are incorporated), our certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our board of directors. These provisions include:

- authorizing the issuance of "blank check" preferred stock without any need for action by stockholders;
- requiring supermajority stockholder voting to effect certain amendments to our certificate of incorporation and bylaws;
- eliminating the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent;
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and
- dividing our board of directors into three classes so that only one third of our directors will be up for election in any given year.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which, under certain circumstances, may make it more difficult for a person who would be an "interested stockholder," as defined in Section 203, to effect various business combinations with us for a three-year period. Our certificate of incorporation and bylaws do not exclude us from the restrictions imposed under Section 203. These provisions could impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the market price of our common stock.

***We incur significant expenses as a result of being a public company.***

As a public company, we incur significant additional legal, accounting and other expenses. For example, as a public company, we have adopted internal and disclosure controls and procedures and bear all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under applicable securities laws.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and related regulations implemented by the SEC and the NASDAQ-GS, create uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. We evaluate and monitor developments with respect to new and proposed rules and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and attract and retain qualified executive officers. If these requirements divert our management's attention from other business concerns, they could have a material adverse effect on our business, financial condition and results of operations.

***If securities or industry analysts do not continue to publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If securities or industry analysts do not continue coverage of our company, the trading price for our common stock would be negatively impacted. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, the price of our common stock would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause the price of our common stock and its trading volume to decline.

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

We do not anticipate paying cash dividends in the foreseeable future. As a result, only appreciation of the price of our common stock, which may never occur, would provide a return to stockholders. Our HSBC facility restricts our ability to pay cash dividends, and we may be subject to additional dividend restrictions under the terms of future indebtedness. Investors seeking cash dividends should not invest in our common stock.

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

None.

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

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| Exhibit Number | Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Filing Date | Exhibit | |
| 31.1 | Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 31.2 | Certification of the Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 32.1 * | Certification of the Chief Executive Officer and Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 101 | The following financial statements, formatted in XBRL: (i) Condensed Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2015 and 2014; (iii) Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2015 and 2014 (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014; and (v) Notes to Unaudited Condensed Consolidated Financial Statements. | | | | | X |

* This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act of 1934, as amended.

**SIGNATURES**

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

Solazyme, Inc.

By: /s/ TYLER W. PAINTER

Tyler W. Painter

*Chief Operating Officer and Chief Financial Officer*

*(Principal Financial and Accounting Officer and duly authorized signatory)*

Date: August 7, 2015

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**
**(Pursuant to Rule 13a -14(a) or Rule 15d-14(a) of the**
**Securities Exchange Act of 1934, as amended,**
**as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Jonathan S. Wolfson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Solazyme, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2015

/ S / J ONATHAN W OLFSON

**Jonathan Wolfson**
**Chief Executive Officer**
**(Principal Executive Officer)**

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**
**(Pursuant to Rule 13a -14(a) or Rule 15d-14(a) of the**
**Securities Exchange Act of 1934, as amended,**
**as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Tyler W. Painter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Solazyme, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a015(f) and 15d-15(f) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2015

/ S / T YLER W. P AINTER

**Tyler W. Painter**
**Chief Operating Officer and**
**Chief Financial Officer**
**(Principal Financial Officer)**

**Exhibit 32.1**

**CERTIFICATIONS PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Solazyme, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2015 , as filed with the Securities and Exchange Commission (the "Report"), each of Jonathan S. Wolfson, Chief Executive Officer of the Company and Tyler W. Painter, Chief Operating Officer and Chief Financial Officer of the Company, respectively, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J ONATHAN W OLFSON

**Jonathan Wolfson**
**Chief Executive Officer**

Date: August 7, 2015

/ S / T YLER W. P AINTER

**Tyler W. Painter**
**Chief Operating Officer and**
**Chief Financial Officer**

Date: August 7, 2015

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

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