Global Clean Energy Holdings, Inc.
Form 10-K
March 31, 2015

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

FORM 10-K

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission file number: 0-12627

GLOBAL CLEAN ENERGY HOLDINGS, INC.
(Exact name of Small Business Issuer as specified in its charter)

Delaware	87-0407858
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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

(310) 641-4234
Issuer's telephone number:

Securities registered under Section 12(b) of the Act: None.

Securities registered under Section 12(g) of the Act: Common Stock, $0.001 par value.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein and, will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $3,731,000.

The outstanding number of shares of common stock as of March 31, 2015 was 339,187,545.

Documents incorporated by reference: None

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report, including any documents which may be incorporated by reference into this Annual Report, contains “Forward-Looking Statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are “Forward-Looking Statements” for purposes of these provisions, including our plans to cultivate, produce and market non-food based feedstock for applications in the biofuels market, any projections of revenues or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding the timing and size of Jatropha or Camelina harvests, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any of the foregoing. All Forward-Looking Statements included in this document are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any Forward-Looking Statement. In some cases, Forward-Looking Statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “anticipates,” “intends,” “believes,” “estimates,” “potential,” or “continue,” or the ne thereof or other comparable terminology. Although we believe that the expectations reflected in the Forward-Looking Statements contained herein are reasonable, there can be no assurance that such expectations or any of the Forward-Looking Statements will prove to be correct, and actual results could differ materially from those projected or assumed in the Forward-Looking Statements. Future financial condition and results of operations, as well as any Forward-Looking Statements are subject to inherent risks and uncertainties, including any other factors referred to in our press releases and reports filed with the Securities and Exchange Commission. All subsequent Forward-Looking Statements attributable to the company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Additional factors that may have a direct bearing on our operating results are described under “Risk Factors” and elsewhere in this report.

Introductory Comment

Throughout this Annual Report on Form 10-K, the terms “we,” “us,” “our,” “our company,” and “the Company” refer to Globa Clean Energy Holdings, Inc., a Delaware corporation that was formerly a Utah corporation known as Global Clean Energy Holdings, Inc. and prior to its name change in 2008, was Medical Discoveries, Inc., and, unless the context indicates otherwise, also includes all of this company's U.S. and foreign wholly-owned subsidiaries through which this company conducts certain of its operations. To the extent applicable, depending on the context of the disclosure, the terms “we,” “us,” “our,” and “our company” may also include GCE Mexico I, LLC (“GCE Mexico”) a Delaware limited liabili company, in which we own 50% of the common membership interests, our wholly-owned subsidiary, Sustainable Oils, Inc., a Delaware Corporation, our wholly-owned subsidiary, G.E.H. Dominicana, S.R.L., a company formed under the laws of the Dominican Republic, Globales Energia Renovables S DE RL DE CV as well as our other subsidiaries.

Global Clean Energy Holdings, Inc. is not related to, or affiliated in any manner with “Global Clean Energy, Inc.” Readers are cautioned to confirm the entity that they are evaluating or in which they are making an investment before completing any such investment.

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PART I

ITEM 1. BUSINESS.

Overview

Global Clean Energy Holdings, Inc. is a U.S.-based, multi-national, energy agri-business focused on the development of non-food based bio-feedstocks. We have full service in-house development and operations capabilities, which provides support to our own biofuel energy farms and to third parties. With international experience and capabilities in eco-friendly biofuel feedstock management, cultivation, production and distribution, we believe that we are well suited to scale our existing business.

Since 2007, our business focus has been on the commercialization of non-food based oilseed plants and biomass. We began with the development of farms growing Jatropha curcas ("Jatropha") - a non-edible plant indigenous to many tropical and sub-tropical regions of the world, including Mexico, the Caribbean and Central America and cultivation of Camelina sativa ("Camelina") – an annual plant from the brassica family traditionally grown in northerly regions of the United States, Europe and Asia. We are focused on these two plant species primarily because we feel they have the potential to produce oil seed crops economically, they generally require less water and fertilizer than many conventional crops, and they can be grown on land that is normally unsuitable for food production or is fallow or idle due to crop rotation. Both Jatropha and Camelina oil are high-quality plant oils used as direct substitutes for fossil fuels and as feedstock for the production of high quality biofuels and other bio-based products. Both crops have been tested and proven to be highly desirable feedstocks capable of being converted into ASTM approved fuels. The term "biofuels" refers to a range of biological based fuels including bio-kerosene (a.k.a bio-jet fuel) biodiesel, renewable diesel, green diesel, synthetic diesel and biomass, most of which have environmental benefits that are the major driving force for their adoption. Using biofuels instead of fossil fuels reduces net emissions of carbon dioxide and other green-house gases, which are associated with global climate change. Both Jatropha and Camelina oil can also be used as a chemical feedstock to replace fossil and non-food based products that use edible oils in their manufacturing or production process. The residual material derived from the oil extraction process is called press-cake, which in the case of Jatropha is a high-quality biomass that has been proven and tested as a replacement for a number of fossil-based feedstocks, fossil fuels and other high value products such as renewable charcoal, fertilizers, and animal feed. Camelina press-cake or meal is high in Omega3 and has already been approved by the FDA and sold by our wholly owned subsidiary Sustainable Oils as a livestock (animal) feed or enhancement in the United States.

Our business plan and current principal business activities include the planting, cultivation, harvesting and processing of these oil seed plants to generate plant based oils and biomass for use as replacements for fossil fuels and other high value products. Our strategy is to leverage our agriculture and energy knowledge, experience and capabilities through the following means:

- Own and operate biofuel energy farms for our own account.
- Own, operate and manage farms in a joint venture (JV) with either strategic partners or financial investors. We currently own two Jatropha farms in Mexico under such joint ownership arrangements, and a third farm in Mexico that we acquired for future Jatropha cultivation. The third farm in Mexico is currently being utilized as a test farm for an annual oil seed crop.
- Contract with third party farmers (such as wheat and barley farmers) for the cultivation of Camelina sativa on their farms in the United States, Latin America and Europe.

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- Produce and sell certified Camelina seeds that are based upon our patented, high-yielding elite varieties to farmers in the United states and internationally.

- Provide energy farm development, advisory and management services to third parties, including to non-farming industrial companies who have a demand for biofuels, to owners of biofuel energy farms, and to non-energy crop farmers looking to utilize energy crops in rotation or inter-cropped with their existing crops.

- Provide advisory services to farmers wishing to certify their farms under international sustainability or carbon certification standards, specifically the Roundtable on Sustainable Biofuels (RSB) and Gold Standard Verified Emission Reductions (GS-VERs)

- Provide turnkey franchise operations for individuals and/or companies that wish to establish purpose specific energy farms in suitable geographical areas.

The development of agricultural-based energy projects, like plant oil and related biomass, may produce carbon credits through the sequestration (storing) of carbon and the displacement of fossil-based fuels. Accordingly, in addition to generating revenues from the sale of non-food based plant oils and biomass and related advisory and management services, our goal is to certify our farms, where practical, to generate and monetize carbon credits. See, "Business--Carbon Credits," below.

Organizational History

This company was originally incorporated under the laws of the State of Utah on November 20, 1991. On July 19, 2010, we changed the state of our incorporation from Utah to Delaware. Our principal executive offices are located at 2790 Skypark Drive, Torrance, California, Los Angeles County, California 90505, and our current telephone number at that address is (310) 641-GCEH (4234). We maintain a website at: www.gceholdings.com. Our annual reports, quarterly reports, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and other information related to this company are available on our website as soon as we electronically file those documents with, or otherwise furnish them to, the Securities and Exchange Commission. Our Sustainable Oils subsidiary also maintains a website at www.susoils.com. Our Internet websites and the information contained therein, or connected thereto, are not and are not intended to be incorporated into this Annual Report on Form 10-K.

Developments During 2014 and Part of 2015

During the fiscal year ended December 31, 2014 and through the date of this Annual Report, we achieved the following milestones in the development of this company, which developments are further discussed below:

- We have been issued the first-of-its-kind Low Carbon Fuel Standard (LCFS) feedstock pathway through Califonia's Air Resources Board for fuels based upon our patented Camelina varieties. The uniqueness is that only Sustainble Oils' Camelina oil can be supplied into the California market and qualify for LCFS credits; and

- We have been issued two new plant patents for Camelina which will allow us to continue our genetic development futher improving our varieties; and

- We have entered into plant research and/or materials transfer Agreements with University of California Davis, University of Colorado, Kansas University, Univeristy of Nebraska – Lincoln and University of Nevada – Reno. All of which are designed to either improve our plant genetics or sort through or extensive tilling library for high value Camelina varities; and

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- We continued to expand our intellectual property necessary to develop and commercialize Jatropha and Camelina sativa as a biofuels feedstock; and

- We completed the development of our research farm in the Caribbean , which we are using to assess the growth of multiple varieties of Jatropha plants and, more recently, to explore the production of Camelina throughout the Caribbean, and;

- We obtained financing and began the development of a Certified Seed Nursery in the Caribbean to produce production seed for the future development of commercial bio-fuel operations in the region, and;

- We significantly expanded the amount and type of management and advisory services we provide to partners and/or third parties, and;

- We received an additional $1.6 million of funding for our jointly owned Mexico Jatropha farms and for this company's other bio-fuel and other operating purposes.

Business Operations

We are a multi-national energy agri-business with development and operations capabilities. We maintain in-house staff for the development, management, cultivation, production and distribution of plant-based feedstock used to offset fossil fuels. Our business plan and current principal business activities include the planting, cultivation, harvesting and processing of non-food based plants to generate seed oils and biomass for use in the biofuels industry, including the production of bio-jet, biodiesel and green diesel and renewable chemicals. As a co-product of our farming and production processes, we will also produce feedstocks and product streams that substitute and displace fossil- and edible oil-based inputs in many industrial processes, including fertilizer, paint and fossil fuel production.

Since the inception of the bio-fuels business in 2007, our strategy has been to be a diversified bio-energy feedstock provider by growing and expanding our energy farming and processing business to include numerous bio-based feedstock crops. We plan to expand to the level where economies of scale and our methods of operations allow us to generate significant revenues and profits without the need for any government subsidies. The processes and procedures we employ to plant and cultivate our crops for our business are being continually refined in order to produce "best practices" for energy farm operations. By focusing on improving our farming practices and the technology we apply to our operations, we plan to operate economically, environmentally and socially sustainable energy farms which can replace fossil fuels or food based feedstocks at a production cost below the market price of their alternatives. By continuing to invest in research and development, and acquiring or strategically aligning with companies that possess leading-edge technology in plant genetics, we will continue to develop high-yielding energy crops that deliver renewable energy feedstock into the market at competitive prices.

Our strategy is to leverage our farming and energy knowledge, experience and capabilities through the following means:

Research Farms. In 2013, we completed land preparation and planting, and began operations on an energy farm in the Caribbean. This farm is being used to test and research the growth of multiple varieties of Jatropha and other oil seed plants, and to adapt them to the local conditions for future commercial farm expansion in the Carribean region. We are also using this farm to perform a full trial of Camelina production in the Carribean, and are in the process of expanding this research farm to produce locally adapted Jatropha and Camelina seeds of the best varieties for this growing region. As our business progresses, we will continue to work on plant genetics, soil science and cultivation practices to improve short-, medium- and long-term yields.

Partnership Farms Owned Via Joint Ventures. We currently own three farms through joint venture arrangements with a third party partner. Our first farm in Mexico (which we refer to as Asideros 1), consisting of approximately 5,149 acres of land near Tizimin, in the Yucatan Peninsula of Mexico. The second farm (which we refer to as Asideros 2), consisting of approximately 5,100 acres, is located adjacent to the first farm. In 2012, we acquired our third farm (which we refer to as Asideros 3), consisting of approximately 5,557 acres, that is located approximately five miles from the first two Mexican farms. Asideros 1 and 2 have been previously prepared and planted with over 6.0 million Jatropha trees. Asideros 1 was planted with more than 20 varieties of Jatropha trees from around the world. In part, because of this diversity, the seed production capabilities of Asideros 1 are uncertain and have not met our initial seed production estimates. As a result, we have been focusing our operational efforts on Asideros 2, as this farm has more of the Jatropha varieties that, we believe, have the greatest potential for production. With proper funding, we plan to utilize the germplasm selections from some high-yield varieties growing on Asideros 2 or from our other breeding programs, to improve the varieties grown on Asideros 1. In 2014, we began cultivation on a portion of Asideros 3, with an annual oil seed crop, to determine the best agronomics and cultivation practices and to confirm yields. To date, we have acquired all the permits and certifications necessary to develop Asideros 3 as an energy farm but have not yet commenced commercial scale operations on that farm. On the first two farms, all the necessary roads and support infrastructure have been developed to support all necessary operations. The Jatropha trees on Asideros 2 are expected to gradually mature to become fruit bearing trees. Neither of our two Mexico Jatropha farms currently have sufficient high-yield varieties of Jatropha trees to be commecially viable at this time. Accordingly, sales revenues generated from Asideros 1 and 2 to date have primarily consisted of the sale of Jatropha seeds for propagation, the production and sale of biomass used for specialty purposes, and smaller quantities of oil and biomass for production testing by potential customers.

For additional information regarding our joint venture operations, see “Jatropha Farming Operations—Tizimin--Mexico Farm,” below.

Jatropha Farm Development and Management Services. We continue to provide development and management services to unaffiliated companies and individuals who are planning the development and implementation of energy farms domestically and internationally. These services are provided on a fee-for-service basis. During the past four fiscal years, we have provided such advisory and management services for the evaluation of new Jatropha and Camelina farm operations based in Mexico, the Caribbean, South America and Africa. The fees from these agreements have been used to fund corporate operations and the expansion of our technical services delivery platform. To date, our management services agreements have been short-term agreements that have to be renewed periodically or replaced with new agreements. As a result, revenues from development and management services fluctuate significantly.

Contract Farms. Our contract farming operations will focus on the production of Camelina. We intend to continue with the relationships established by Sustainable Oils, which are expected to allow us to quickly expand contract farming operations on non-company owned farms. Under the existing contract farm arrangement, we sell our certified Camelina seeds to third party farmers who own or rent the land and have skills, labor and equipment to properly farm the land. We will also provide these farmers with previously proven “best practices” for Camelina cultivation and with the support of our technical services team of agri-business professionals. The majority of the farmers that grow the Camelina plants are expected to enter into contracts to sell the Camelina seeds harvested from their farms to us, following the harvest (usually 90-100 days after planting). This procedure will allow us to quickly expand our business without the need to acquire land or any of the machinery, equipment or personnel to operate large farming operations.

Franchise Jatropha Farms. We have established a program for offering franchise operations for Jatropha farms. This program consists of all of the necessary programs and procedures to establish and operate a profitable Jatropha farm. The program also entails establishing and providing methods to obtain all necessary equipment and supplies. To date, we have not entered into any such franchise agreements.

Our core activities consist of planting, cultivating, harvesting and processing non-food based oil seeds to generate liquid and solid feedstocks used in the biofuels industry and other high value, energy intensive industries where fossil- or plant-based oils are used as primary feedstocks. These industries include those that produce biodiesel and renewable diesel, renewable jet, and other high value biofuels and renewable chemicals.

We have identified the Jatropha curcas and Camelina sativa plants as our primary feedstocks for producing biodiesel, other biofuels including renewable diesel and renewable jet fuel and renewable chemicals, but we continue to research and test other plant species. The seeds from these plants contain oil with beneficial properties for the production of biofuels or as direct, drop-in replacements for fossil fuels. We plan to utilize the seed oils for producing biofuels and bio-chemicals, the presscake (the residue of oil seeds when the oil has been pressed out) from Jatropha as a solid fuel, and the presscake from Camelina as a high value animal feed. The FDA has approved the use of Camelina presscake or meal as a protein-rich animal feed for cattle, poultry or swine. We currently use the fruit shell (hull) from the Jatropha fruit as an ingredient in our soil amendment program fertilizer to reduce our fertilizer input and costs.

The Jatropha plant is a perennial tree that produces inedible fruit containing large seeds with a high percentage of high-quality inedible oil. Camelina is in the mustard seed family and produces small, very high oil content seeds that, like Jatropha, are well suited to the production of renewable fuels and bio-chemicals. Sustainable Oils' Camelina oil-based jet fuel has been tested, approved and certified for use in multiple military aircraft, including several combat planes and helicopters. It is among the most highly tested and approved feedstocks for renewable fuels and chemicals to date.

We have identified a number of strategic locations ideally suited to Jatropha or Camelina cultivation and processing. These locations have been selected for a number of key strategic reasons, including proximity to large customers who require the products, close to ports for logistics purposes, relatively stable democratic governments, favorable trade agreements with the United States, low-cost land, reasonably priced labor, favorable weather conditions and acceptable soil conditions. We presently maintain farm properties in the Yucatan Peninsula of Mexico, on which we have commenced planting Jatropha and where we conduct research and development activities focusing on plant genetics, soil sciences, plant breeding and other related activities. We also own and operate a research farm in the Caribbean which is used to acclimate various varieties to the region for future farm expansion. We also use these facilities for research conducted in collaboration with The Center for Sustainable Energy Farming (www.CfSEF.org). We continue to sponsor and support research to identify and develop improved Jatropha varieties, as well as to establish ideal growing conditions in order to maximize our output of Jatropha fruit, seed oil and biomass while reducing inputs and maximizing resistance to pests and diseases. We have executed collaboration agreements with a number of developers and researchers around the world and are in process with joint research programs to test various "elite" varieties for their applicability in the Latin American market. With the acquisition of Sustainable Oils, we have plans to expand these research initiatives to include Camelina. CfSEF has expanded its Scientific Advisory Board (SAB) to include a research scientist with extensive experience in Camelina breeding, propagation and cultivation.

Our primary focus remains the renewable feedstock oil market, and we will continue expanding our operations, primarily in the areas of planting, harvesting and sale of feedstocks to end users in the energy and bio-chemical industries. In the short term, we will continue our farm development activities and prepare for large-scale harvests of both Jatropha and Camelina seeds. We expect to generate short-term revenues through the sale of Jatropha and Camelina seeds for germination, and the sale of oil, biomass and presscake (meal) as a thermal fuel or approved animal feed. We continue to pursue the sale of our oil and biomass products into higher value, non-fuel, specialty markets like "green chemicals," "green plastics," and nutraceuticals. Some of these specialty sales could represent a significant source of future revenues at substantially higher profit margins than the renewable energy feedstock sales.

Our board, management, employees, partners, technical advisors and consultants are senior energy, agricultural and business professionals that possess extensive experience in the energy and alternative fuels market. The group has experience in the production of biofuels, renewable energy, and the agriculture businesses. Accordingly, we have the resident expertise to provide development and management services to other companies pursuing biofuels and/or feedstock development activities, on a fee for services basis. As described below, we currently provide such biofuel

consulting services in locations, and for parts of the business, that are strategically beneficial to our existing or planned sites and businesses.

Jatropha Farming Operations

Mexico.

We currently own 50% of the issued and outstanding common membership units of GCE Mexico, the limited liability company that, through its subsidiaries, owns the three Jatropha farms in Mexico. The remaining 50% in common membership units were issued to five investors affiliated with one of our largest stockholders (Global Clean Energy Holdings and the other members of GCE Mexico holding the common membership units are collectively referred to as "Common Members.") In addition, an aggregate of 1,000 preferred membership units were issued to investors also affiliated with one of our largest stockholders (the "Preferred Members"). During 2013, one of the Preferred Members acquired the Membership units of the other Preferred Members and, as a result, is now the sole Preferred Member. As of March 31, 2015, the Preferred Members had provided a total of approximately $27.6 million to GCE Mexico for the purchase of the land underlying the three farms and for other operational purposes. However, the sole Preferred Member is not obligated to continue to fund the ongoing operations of GCE Mexico, and the level of such additional funding in 2015 and thereafter is currently uncertain. The budget for 2015 has not been approved by the Preferred Member as of March 31, 2015. Additional funding will be necessary until, if ever, the Jatropha farms generate adequate revenues to sustain their operations. The Preferred Member is entitled to a preferential return on his investment, the accrued cumulative amount of which was approximately $10.1 million as of December 31, 2014.

Included in the approximately $27.6 million that has been provided to date by the Preferred Members of GCE Mexico is the purchase price of the land owned by GCE Mexico in the State of Yucatan in Mexico on which the three GCE Mexico farms are located. The purchase of land for the three farms was funded by mortgage loans, which cumulatively had an initial principal balance of $5,110,000. Each parcel of land was acquired in the name of one of GCE Mexico's Mexican subsidiaries and is secured by a mortgage in favor of the Preferred Member. The mortgages bear interest at the rate of 12% per annum, and interest is payable on a quarterly basis to the extent the borrower has sufficient cash flow. If the borrower does not have sufficient cash to repay the interest on a current basis, then the loan agreement states that the unpaid interest will continue to accrue and will be payable when the borrower determines that it has sufficient cash to make the interest payment. The three mortgages, including any unpaid interest, become due in April, 2018, February 2020, June 2021 and October 2021.

GCE Mexico is managed under the supervision of a board of directors comprising of four members, two of whom are appointed by us and two by the Preferred Member. However, we are the manager of the joint venture, and through our wholly owned Mexican subsidiary, we manage the day-to-day operations of GCE Mexico and the operations in Mexico. GCE Mexico reimburses us for the cost of management of the farms, which includes a portion of our U.S. administrative expenses that are related to those operations.

The following is a summary of certain factors relevant to an understanding of the operations of the three Mexico farms:

- We planted over 20 varieties of Jatropha trees from around the world in our first Mexico farm approximately five years ago in order to determine which varieties are most suitable for commercial production. These trees are being evaluated on the basis, of among other things, the amount of fruit/seeds that they produce, their resilience to pests and diseases, their compatibility to existing soil and climate conditions, and amount of maintenance and care required to maintain the trees. The first farm has demonstrated that many of the varieties we planted in the first farm are not suitable for commercial biofuel seed production. While we have to date harvested small quantities of Jatropha fruit from this farm, we are currently allowing the Jatropha trees in this farm to naturally grow and develop without commercial agricultural intervention to determine which trees will be retained for commercial production, which trees possess advanced attributes that will be used for breeding and which trees/areas will be replanted with

the more successful, hardy varieties in 2015 and beyond. The second Jatropha farm was planted with fewer, more selective varieties of Jatropha trees. Based on our 2013 and 2014 crop year harvest results, the varities planted in the second farm have met our cumulative yield goals. As a result our plan, with proper funding, is to use these same varities for futher farm expansion and/or as propagation materials for other farms. We also expect the crop to continue producing higher yields in line with our 7 year yield projections. Our plan is also, with additional funding, to continue to develop this second farm and to replace certain lower yielding varieties of trees in order to prepare this farm for commercial scale biofuel production. Jatropha seeds can be harvested throughout the year but the majority of the harvest occurs in the last quarter of the crop year, which is December through February. Accordingly, as the trees that we planted during the past several years mature, our harvests of Jatropha seeds is expected to increase future revenues from our Mexican operations.

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- Our Tizimin, Mexico, operations have been eligible for agricultural and other subsidies provided to certain foreign owned farming operations by the federal government of Mexico. Through the year ending December 31, 2014, we received a total of $2,147,000 of subsidy payments. These subsidies have been used to defray some of the initial start-up and early adopter costs that we incurred in establishing these farms. We will continue to apply for any subsidies that we qualify for in future years.

- Our Tizimin farms are being developed with the intent of providing non-food based feedstocks for the production of biofuels and to displace to use of food crops in the oleo-chemicals market. However, our development and cultivation of these farms has also enabled us to generate ancillary revenues from these operations. For example, we have received revenue from the sale of biomass (wood and agricultural waste removed from our farms as the land is cleared for Jatropha planting), which we expanded in 2014. We have produced as much as 120 MT of biomass based charcoal per month since July 2014 and expect to produce at those levels through our permit period. We have now received all governmental permits and expect the continue the charcoal operations for a minimum four more years.

- The third farm that we own in Mexico through our GCE Mexico operations (known as Asideros 3) has always been expected to be planted with Jatropha trees once we complete the replanting of certain areas of Asideros 1 and Asideros 2. Until then, we plan to prepare and plant a portion of this land with other crops, primarily annuals, that can be commercially sold for a number of end uses, which may include biofuels. In 2014, as a trial, we planted the first portion of the farm with an annual seed oil crop, which we harvested in December, generating insignificant sales in January 2015. These other farming activities have the potential to generate revenues to help support our other farming costs and can possibly increase the underlying value of this farm should we decide to change its use or sell it in the future.

- Total capital used for start-up expenses and operations, since inception, for the three farms in Mexico (through March 31, 2015) is approximately $27.6 million (excluding subsidies received from the government of Mexico). All such funding has to date been provided by the investing partners of GCE Mexico, the joint venture that indirectly owns the three Mexican farms. Our investment partner has a priority right to receive profits generated from these farms until the cumulative amount of this investment, plus a preferred return, has been returned. We will share in profits generated by the three farms if/when the foregoing $27.6 million investment, plus the accumulated return, has been returned to the investor.

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Camelina Farming Operations

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

The Camelina Assets, at the time, included: three issued U.S. patents on Camelina Sativa varieties; a substantial portfolio of other IP assets, all of the seller's intellectual property related to the research, development, breeding and/or genetic development of Camelina; germplasm; licenses, consents, permits, variances, certifications and approvals granted by any governmental agencies relating to Camelina operations; machines, equipment, tractors and vehicles used in Camelina operations; the name "Sustainable Oils" and the Sustainable Oils logo; and certain trade secrets, know-how, and technical data. Our goal is to continue, and expand, the operations of Sustainable Oils (although such operations may be conducted under a new subsidiary), and to obtain additional funding for that subsidiary.

We paid for the Camelina Assets by issuing to Targeted Growth, Inc. (i) a secured promissory note in the principal amount of $1,300,000 (the "Promissory Note") and (ii) an aggregate of 40,000,000 shares of our common stock. The Promissory Note was originally secured by certain of the machines, equipment, tractors and vehicles that we purchased to Targeted Growth, Inc. In September 2014, we renegotiated the terms of the agreement and returned these machines, tractors, vehicle to Targeted Growth, Inc. in consideration for accrued interest and the extension of the maturity date of the Promissory Note. The promissroy note is payable on demand, no longer is secured by any assets, and its payment is only tied to future revenue generated by the Camelina assets.

The purchase price for the Sustainable Oils, LLC membership interests was $100. Sustainable Oils' assets included inventory of "certified" Camelina seeds to be used or sold for the production of Camelina feedstock. The liabilities of Sustainable Oils include an approximately $2.3 million liability to, which is secured by a lien on the three patents we acquired as part of the Camelina Assets. We did not, however, assume the foregoing $2.3 million liability. In order to facilitate our Camelina operations, we have also entered into a long-term license agreement with Targeted Growth, Inc. under which Targeted Growth granted us a world-wide, exclusive license for the use of certain of its patented intellectual property with our future Camelina operations. The license requires us to pay a royalty commencing with the commercialization of the covered intellectual properties. We will continue Camelina research and development in Bozeman Montana with the support, as needed by certain employees or subcontractors of Targeted Growth, who will provide services to us under a separate Services Agreement, on an as needed, cost pass-through basis.

Since its formation, SusOils has, among other things, developed new Camelina products, been issued three U.S. plant protection patents on technologies it developed, arranged for the planting and harvesting of over 100,000 acres of Camelina in 10 states and Canadian provinces, performed Camelina research or field level trials in 34 US States and 6 Canadian provinces, as well as seven other countries (Spain, Italy, Portugal, Australia, New Zealand, Ukraine and Saudi Arabia). SusOils has contract processed Camelina oil into renewable jet fuel that they supplied to the U.S. Navy's aircraft fleet. During the years 2010 through 2012, Sustainable Oils generated over $20 million of revenues from its operations and incurred net losses in part due to its research and business development activities of over $5.8 million (unaudited estimate). Although we intend to utilize SusOils' technologies and to capitalize on that company's business development efforts, our business plan for the Camelina business differs from the Sustainable Oils business model. Specifically, at this time, we have no planned sales of oil to the U.S. military.

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We currently intend to operate our Camelina business through a subsidiary, Sustainable Oils Inc, a Delaware Corporation. We have capitalized that subsidiary with certain of the Sustainable Oils intellectual properties and operating and intangible assets that we recently purchased. In order to fund the operations and expansion of the Camelina operations, we will need to raise additional capital through the sale of debt or equity in the newly formed Delaware Camelina subsidiary, Sustainable Oils, Inc. Sustainable Oils' research operations have been headquartered in Bozeman, Montana. We intend to continue to conduct our Camelina research operations in Montana but manage the business from our offices in Southern California.

In February 2013, the Environmental Protection Agency ("EPA") issued a final rule that describes new fuel pathways to qualify Camelina oil (new feedstock) as an advanced biodiesel and renewable diesel (including jet fuel and heating oil) and in December 2014, Sustainable Oils, Inc was issued a first-of-its-kind feedstock-only pathway by the California Air Resources Board for the production of Camelina based fuels under the Low Carbon Fuel Standard (LCFS). The pathway, when combined with a specific processors production profile, will produce the lowest carbon intensity (CI) virgin oil based fuel available in the marketplace. Camelina based biodiesel at a CI of approximately 19 g/MJ can be produced at a fraction to soy (83 g/MJ) and canola (63 g/MJ) based biofuels. This extremely low CI will allow obligated parties in California to meet their reduction targets using a fraction of the biofuel otherwise required. The pathway only applies to Sustainable Oils' US Trademark and Patent Office-registered seed varieties – no other Camelina seed or oil can be used to produce LCFS compliant fuel. The feedstock-only CI is 7.58 g/MJ CO2e. When combined with ARB's generic North American producer profile, the feedstock-only pathway produces biodiesel and renewable diesel at CIs of approximately 19.1 and 18.7, respectively. Lower CIs can be achieved by processors with more efficient profiles.

With the recent approval of Camelina oil by the EPA as an advanced biofuels feedstock under national renewable fuel standards, and the unique California ARB Camelina pathway approval, the focus for Sustainable Oils is to quickly expand its footprint of planted acreage to achieve economies of scale and profitability. We plan to commercialize and expand its products into areas where the highest value can be obtained. This includes for various biofuels, renewable chemicals, specialty chemicals and high value animal feed. We plan to continue to:

1. Utilize established farmers with available land which is either fallow or idle due to crop rotation. By using their existing equipment and labor we will minimize capital costs and maximize resource utilization, increasing net revenue and profits to the farmers, and;

2. Utilize existing regional processing resources. This will add incremental revenue to existing processing facilities and allow us to utilize facilities during slower or idle times, further adding revenue and profit for oil and meal processers, and;

3. Expand research and development efforts to continue to increase yield from Camelina production. We will support our contract farmers with strong plant and soil science. This will further improve revenue and reduce unit production costs, generating additional revenue and profits to be shared with farmers and processers, and;

4. Strategically locate "Camelina Farming Regions" near regional support services which include processing and logistics hubs, and;

5. Develop strategic partnerships and supply agreements near "Camelina Farming Regions" throughout the U.S. and Europe to produce significant purpose-specific acreage, supplying more regional and local users. This will optimize logistics and processing costs and provide for higher revenue and profit, and;

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6. In 2015, subject to receiving adequate funding, our plan is to contract with farmers for up to 32,000 planted acres of Camelina to achieve economies of scale.

In order to develop our Camelina business as set forth above, we will have to raise a substantial amount of additional capital. We have not yet identified or secured a source for the additional funding. Accordingly, our ability to roll-out our Camelina operations in 2015, and our ability to generate substantial revenues from that line of business, is currently uncertain and dependent upon our ability to raise additional capital.

Principal Products

The Jatropha curcas and Camelina sativa plants will be our primary agricultural focus for the foreseeable future. Jatropha is a perennial, inedible tree, and all of its by-products can be used for either fuel, a vegetable oil substitute in non-food products of biomass-based energy production. It is a very efficient tree that produces high quality seed oil and high-energy content biomass. Camelina sativa is an annual plant grown primarily in northerly climates, including the United States, as a rotational crop with wheat and other food crops when land is either fallow or not being used. As a result, Camelina does not compete with food production or create direct land use change. We expect our principal products to include the biofuels oil feedstock, vegetable oil replacement and biomass derived from the cultivation and processing of the both plants. In addition, we expect to generate revenues from the sale of carbon credits earned from our agricultural operations.

Biofuels Oil Feedstock

The feedstock oil needed for the production of bio-jet, biodiesel, renewable diesel and green diesel that is currently available on the market today is primarily supplied from edible seed oils, including soy, canola (rapeseed), sunflower and palm. There are other types of feedstock that can be converted into biofuels, like animal fats and recycled cooking grease, but they make up a small portion of the market supply. Our primary source of biofuels feedstock will be from Jatropha and Camelina seed oil. One significant advantage of Jatropha and Camelina over other traditional oil seed crops is that they do not compete for resources with other crops grown primarily for food consumption.

Camelina sativa is a member of the mustard family, a distant relative to canola, and a relatively new and attractive entrant into the biofuels feedstock sector. Camelina plants are heavily branched, growing from one to three feet tall and have branched stems that become woody as they mature. As the reproductive cycle progresses, seed pods form which contain many relatively small, oily seeds. Because there is no seed dormancy in Camelina, it can be grown in multiple seasons and has a very short maturity curve.

Camelina can produce seeds with relatively little water and can be harvested early. It is classified as a low input crop and can survive on little water/rainfall, and it requires less fertilizer than many other crops. Camelina can be seeded and harvested with conventional farm equipment, making it a perfect rotation crop for existing farmers.

Camelina seeds typically contain between 35-38% oil and are high in omega-3 fatty acids. This makes the oil very desirable for biofuels production and the meal left after the oil has been removed is a very good option for livestock feed—competing directly with soy and canola meal.

Biomass Feedstock

The Jatropha plant produces a fruit (about the size of a walnut) containing three large seeds that contain 32%-38% oil content by weight. The non-oil components of the fruit, which represents 62-68% of the total fruit, contain high energy biomass (carbon values) that is an excellent source of feedstock for a number of energy producing processes

including direct combustion, gasification, power production, and cellulosic ethanol (alcohol) production. Fifty percent of the energy in the Jatropha seed resides in the biomass.

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Camelina produces a co-product from the oil extraction process which is a high protein press-cake (meal) that has been tested and approved by the Food and Drug Administration (FDA) as a livestock (animal) feed for cattle, chickens and pigs. This provides additonal revenue and reduces the net production cost of the crude Camelina oil, further improving project economics.

Emissions Reduction Regulations

In response to anthropogenic climate change intergovernmental organizations like the United Nations and World Bank, as well as numerous governments, supranational organizations, like the European Union, and sub-national actors, like California and British Columbia, have implemented regulations to curtail the production of greenhouse gas emissions. Regulations are beginning to span and interlace cap-and-trade policies, low carbon fuel standards, renewable portfolio standards and carbon taxes, as well as others. The overarching objective is GHG reductions and associated climate change mitigation. With the exception of a carbon tax, GHG reduction schemes utilize tradable credit that represent the reduction of a certain amount of carbon dioxide equivalent (CO2e) or the production of a certain volume of fuel.

Renewable energy and energy efficiency projects make up the bulk of mitigation and reduction strategies currently deployed around the world. Biofuels have been the cornerstone of renewable energy policies since the beginning and offer regulators, end users and consumers a unique set of attributes that include sustainability, meaningful emissions reductions and economic and energy security. Furthermore, as biofuel policies evolve, first generation feedstocks, those based on, or derived from food crops are being replaced with second generation, non-food based crops like Camelina and Jatropha. Both Camelina and Jatropha are grown on land that is fallow for one reason or another or otherwise unsuitable for food crop production and as a result, sidestep the controversial food versus fuel tradeoff currently hampering certain feedstocks development. Jatropha is grown on marginal land which would otherwise be unproductive or underutilized, while Camelina is grown on fallow rotational land or in other formats that do not displace food crops. This distinction between food and non-food is critical as regulated markets mature and policies shift to discourage the conversion of food into fuel.

Furthermore, as regulations affecting biofuels mature and are refined, it is expected that benefits once given to feedstocks inaccurately defined as waste streams will be replaced with classifications consistent with their parental origin, which are primarily food crops. The result will be a move away from food based inputs to low carbon non-food based feedstocks like Camelina and Jatropha.

In the United States, federal legislation called the renewable fuel standard (RFS) mandates that a certain volume of biofuels are blended into the fuel supply every year. In California, the low carbon fuel standard (LCFS) requires regulated parties to reduce the overall emissions of their fuels to a predefined ceiling. In both cases, renewable fuel producers generate tradable financial instruments, which represent either a volume of fuel or a set amount of CO2e reduction. These credits are then surrendered by regulated parties to demonstrate compliance. The RFS and LCFS require that fuels are made from approved pathways and feedstocks. Camelina has full EPA approval under the RFS and Jatropha is currently pending approval, which EPA has indicated will occur in mid-2015.

In March 2015, ARB approved a first-of-its-kind feedstock-only pathway for Sustainable Oils patented Camelina oil. The pathway only applies to Sustainable Oils' US Patent and Trademark Office-registered seed varieties - no other Camelina seed or oil can be used to produce LCFS compliant fuel. At a cumulative carbon intensity (CI) of 7.58 g/MJ, final fuels can be produced at between 18.7 and 19.1. The result is that fuel producers and obligated parties in California can meet their LCFS emissions reduction requirements with significantly less fuel that would otherwise be required using traditional feedstocks like soybean (83 g/MJ) or canola oil (63 g/MJ). LCFS credits are generated based upon the CI of the underlying fuel, which means Camelina-based fuels will generate significantly more value per gallon than any other virgin oil-based fuel. By example, if the LCFS credit price is $50/MT of carbon, Camelina

biodiesel produces $0.40 more per gallon than soybean-based fuel.

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Currently, California (LCFS), Oregon (LCFS) and British Columbia (RLCFRR) have LCFS-style regulations, as well as the European Union (FQD). Washington is close behind and the Northeast States for Coordinated Air Use Management (NESCAUM), which represents 11 states is considering a Northeast/Mid-Atlantic Clean Fuels Standard. Together, the U.S jurisdictions represent over 30 percent of all domestic transportation related fuel consumption.

California has a history of implementing environmental policies that are subsequently adopted by the federal government. In 1967, Ronald Reagan signed legislation that established the California Air Resources Board (CARB), which was subsequently integrated into Cal EPA. California is the only state that is permitted to have such a regulatory agency, since it is the only state that had one before the passage of the federal Clean Air Act and the establishment of US EPA in 1970. Other states are permitted to follow CARB standards, or use the federal ones, but not set their own. More recently, California vehicle emissions standards were adopted by US EPA as federal standards, which will be enforced in 2016.

As LCFS-style regulations are adopted by other states, regions or nationally, the pathway review and adoption process is expected to be very similar to that of California, for the reasons stated above. In some cases, CARB pathways and associated fuel CIs maybe directly adopted by implementing state agencies. In all cases, GCEH expects the pathway work conducted to date on Camelina and Jatropha will provide a significant advantage in obtaining timely approval of our proprietary products into newly regulated markets.

As emissions reduction regulations change and evolve, GCEH will continue to evaluate which credit generating activities offer the best financial return for our products. The European Emissions Trading Scheme (EU ETS), the largest credit trading market in the world, will continue to be monitored for future opportunities. However, continued instability in the EU ETS credit pricing has prompted GCEH to focus on domestic and regional credit generating activities in the short to medium term.

Technology and Patents

Camelina: On March 13, 2013, through the acquisition of SusOils we acquired three U.S. patents and two patent applications. The patents consist of the following:

(a) U.S. Patent Serial No. 12/945,420 entitled "Camelina Sativa Variety 'SO-40"

(b) U.S. Patent Serial No. 12/945,438 entitled "Camelina Sativa Variety 'SO-50"

(c) U.S. Patent Serial No. 12/945,455 entitled "Camelina Sativa Variety 'SO-60"

On July 15, 2014 we were issued an additional U.S. Patent, No, US 8,779,238 B2, for our “Floral Dip” method of (non-GMO) transformation of Camelina plants that can manipulate its agronomic qualities.

In January 2015 we were notified by the US Patent and Trademark Office that our patent application for a method to alter and/or improve the fatty acid composition of a Camelina plant cell has been approved for issuance. The claims are for a method of altering and/or improving fatty acid composition of a Camelina plant cell, plant part, tissue culture or whole plant, and the method comprising disrupting one, two, or three copies of FAD2 genes and/or one, two or three copies of FAE1 genes in said Camelina plant cell, plant part, tissue culture or whole plant. Also included is a method of breeding Camelina plants to produce altered levels of fatty acids in seed oil and/or meal.

Jatropha: We do not currently possess any patentable technology relating to our Jatropha operations, but we have developed considerable know-how, trade secrets, and proprietary processes and procedures for farm development and operations management. We are currently engaged in research and development activities focused on improved

Jatropha varieties, and we continue to expand on technical know-how and proprietary processes for optimizing the quality of our Jatropha yields, reducing operating costs and improving production capacity and efficiency. These research and development activities currently consist of plant biology and molecular genetic research, and are being conducted primarily through in-house research and in joint development activities with the non-profit Center for Sustainable Energy Farming. We continue to develop our proprietary Sustainable Energy Farming Systems and it is expected that patentable technologies will result from our research activities. However, there can be no assurance that patentable technologies will be developed, or if they are developed, that we would be the sole owners of such patents.

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Any technology we develop will be in one of three main categories: (i) plant and soil sciences, (ii) agricultural technology and procedure development, or (iii) material processing and end use applications. Such technologies developed are expected to assist in reducing costs, improving efficiency and allowing us to move our products higher up the value creation.

Market

According to both the International Energy Agency ("IEA") and the U.S. Department of Energy's Energy Information Administration ("EIA") estimates, the world demand for crude oil in 2014 was approximately 92.3 million barrels per day, with approximately 20% of that demand being diesel and fuel oil (distillate fuel oil). This equates to a global consumption of distillate fuel oil of approximately 22.0 million barrels per day, or 337 billion gallons per year. At a 5% blend, the world market for biodiesel exceeds 16.8 billion gallons per year.

U.S. diesel fuel oil consumption for 2013 was over 57 billion gallons. At a 5% blend, the U.S. biodiesel market was over 2.9 billion gallons per year, which we expect will continue to grow.

As reported by the Environmental Protection Agency (EPA), U.S. biodiesel refineries produced over 1.3 billion gallons of neat (100%) biodiesel fuel in 2014, from a reported 100+ active producers with a total capacity of over 2 billion gallons. This is just under 60% of capacity and represents just over 1.2% of U.S. demand for diesel fuel. The trend of production and consumption of biodiesel is growing. In 2005, U.S. refineries produced and sold approximately 75 million gallons; in 2006, approximately 250 million gallons; in 2007, approximately 450 million gallon; and in 2008, approximately 678 million gallons; in 2009 approximately 506 million gallons. The drop in production in 2009 is primarily due to increased feedstock costs. In 2011, biodiesel production exceeded one billion gallons for the first time. In 2012, it rose to more than 1.1 billion gallons and by 2013 production was nearly 1.8 billion gallons, according to EPA figures. In 2014, production declined to approximately 1.3 billion gallons, due in large part of regulatory uncertainty.

Our primary market is the direct sale of Jatropha and Camelina oil for biodiesel, renewable diesel, renewable jet fuel, green plastics and renewable chemicals. In addition we will sell biomass for energy production and animal feed and we will sell carbon credits we generate from our agricultural operations. Our primary customers are processors of biofuels and users of plant based oils for chemical production. We estimate that there are approximately over 100 biodiesel plants in the United States alone, which can utilize up to 100% of our crude or refined Jatropha and Camelina oil. However, we expect to generate our highest revenues and greatest margins from customers who have logistical capacity on a water port accessible from the Gulf of Mexico or those located in close proximity to strategic Camelina growing regions. This will reduce redundant transportation costs and allow us to ship large quantities economically. These customers have historically paid a higher price for feedstock oil, since the majority of feedstock oil supplies have been shipped from the Midwestern United States. We anticipate that our key customer profile will include well-financed, low-cost biodiesel refiners and specialty oleo chemical companies.

In February 2013, the EPA issued a final rule adding Camelina oil as an official advanced biofuel pathway for the production of biodiesel and renewable diesel (including renewable jet fuel and heating oil). We believe that this new rule will significantly expand the potential market for the Camelina feedstock that we intend to produce through our new Sustainable Oils/Camelina operations. This is a significant ruling as it is the first, and currently the only novel (non-food based) crop to be approved as a feedstock for the production of advanced biofuels under the national renewable fuel standards (RFS). This process took almost three years to complete.

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In cooperation with Honeywell's UOP and Emerald Biofuels, we submitted a pathway application for Jatropha oil to the EPA in June 2012. Based upon recent feedback provided by the EPA, the pathway is expected to be published for public comment in the second quarter of 2015 and is expected to be approved later in the year.

As our business develops, we expect to utilize industry professionals and distributors for the sale of Jatropha and Camelina oil and biomass in order to strategically target certain specialty markets and reduce overall costs.

Environmental Impact

Biofuels have social, economic and environmental benefits that are a major driving force behind their adoption. Using biofuels instead of fossil fuels reduces net emissions of carbon dioxide and other greenhouse gasses, which are associated with global climate change and adverse regional health impacts. Biofuels are produced from renewable plant resources that "recycle" the carbon dioxide created when biofuels are consumed. Life-cycle analyses consistently show that using biofuels produced in modern facilities results in net reductions of greenhouse gas compared to using fossil fuel-based petroleum equivalents. These life-cycle analyses include the well-to-wheel energy equivalent of farming and production of biomass, including harvesting, conversion, transportation and utilization. Biofuels help nations achieve their goals of reducing carbon emissions and reducing importation of foreign oil. They burn cleanly in vehicle engines and reduce emissions of unwanted products, particularly unburned hydrocarbons, carbon monoxide and particulate matter. These characteristics contribute to improvements in local air quality and all associated health benefits. In a life-cycle study published in October 2002, entitled "A Comprehensive Analysis of Biodiesel Impacts on Exhaust Emissions, 2002," the U.S. Environmental Protection Agency ("EPA") analyzed biodiesel produced from virgin soy oil, rapeseed (canola) and animal fats. The study concluded that the emission impact of biodiesel potentially increased NOx emissions slightly while significantly reducing other major emissions.

We believe there is sufficient global demand for alternative, non-food based inedible biofuel feedstocks to allow a number of companies to successfully compete worldwide. In particular, we note that we are the only U.S.-based public company producing non-food based inedible oils for the production of biodiesel, which gives us a unique competitive advantage over many foreign competitors when competing in the U.S.

The price basis for our oil and biomass products will be comparable to their edible oil and biomass equivalents. To date, we have not identified any substantial effort being undertaken for the commercialization of other inedible oils that could compete with Jatropha or Camelina. With the growing demand for plant-based feedstocks, and the high price of oil and biofuels, we anticipate that we will be able to sell our plant oils and biomass profitably.

Employees.

As of December 31, 2014, across all of our subsidiaries, we had 39 full time employees, contract employees and consultants. The number of people we employ fluctuates depending on farm development, land preparation, planting and seasonal farm operations. Our first two farms have now been fully planted, so there are minimal development activities underway and we have not begun the full development of our third farm, for Jatropha, yet, We will continue to "right size" our work force to support our operational needs. Neither this company, nor any of our subsidiaries is a party to any collective bargaining agreements.

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1A. RISK FACTORS

Not applicable.

1B. UNRESOLVED STAFF COMMENTS.
Not applicable.

ITEM 2. PROPERTIES.

Executive Offices. Currently, we operate out of offices located at 2790 Skypark Drive, Suite 105, Torrance, CA 90505. Our leased offices consist of approximately 1,296 square feet and are leased at a monthly rate of $2,402 per month. The term of the lease expires on January 31, 2019.

Mexico Farms and Facilities: As of November 3, 2014, we own the following three Jatropha farms through our GCE Mexico I, LLC joint venture:

1. Our first farm consists of seven separate parcels of land collectively representing 2,084 hectares (approximately 5,149 acres). We purchased these parcels in 2008. The farm is located approximately 12 miles northeast of Tizimin, Yucatan, Mexico and is approximately 110 miles from Merida and the port of Progresso, and 75 miles from Cancun. All of the land has been improved and we have completed planting several varieties of Jatropha on all of the planned farmland. We financed the purchase of this farm through a mortgage loan in the amount of $2,051,282, which bears interest at a rate of 12% per annum.

2. In March 2010 and June 2012, we purchased approximately 5,100, acres of additional land that is contiguous to our first farm. In 2013, we completed planting Jatropha on this farm. We financed the purchase of this farm through a mortgage loan in the amount of $963,382. That loan bear interest at a rate of 12% per annum.

3. In October 2012, we purchased approximately 5,557 acres of additional land for the development of a third Jatropha farm. This land is located in the same region, approximately five miles from our other two farms. We have planted a variety of Jatropha plants in our first two farms, and have used varying agricultural techniques to in order to ascertain which variety is best suited for the region. We do not intend to plant Jatropha on this third farm until we obtain more information about Jatropha production from our first two farms. In the interim, we have commenced planting other fuel crops on the third farm on a test basis and may, if such tests prove successful, expand these alternate crops until a decision is made regarding the use of the third farm. We financed the purchase of this farm through a mortgage loan in the amount of $ 2,095,525. That loan bears interest at a rate of 12% per annum. In 2014 we plan to test plant a portion of the farm with an annual oil seed crop to prove yields with the potential for a larger deployment.

Montana Offices/Facilities. Our Sustainable Oils field and research operations will be conducted primarily from Bozeman, Montana under a subcontract with a local seed research company.

Dominican Republic Nursery. On December 31, 2014, we signed a five year lease with a third party in the Dominican Republic, for approximately 104 acres of land where we have begun developing a Jatropha plant nursery. The total lease is approximately $80,900, due and payable as follows:

$40,500 due at signing and was paid in January 2015
$10,100 due December 31, 2015
$10,100 due December 31, 2016
$10,100 due December 31, 2017

$10,100 due December 31, 2018

ITEM 3. LEGAL PROCEEDINGS.

From time to time, the Company may become a party to other legal actions and complaints arising in the ordinary course of business, although it is not currently involved in any such material legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Shares of our common stock are traded on the OTC Bulletin Board and on the OTCQB market under the symbol "GCEH." The following table sets forth the range of closing prices for our common stock for the quarters indicated. Such quotations reflect inter-dealer prices, without retail mark-ups, markdowns or commissions, and may not represent actual transactions.

Fiscal Year Ended December 31, 2014	High Bid	Low Bid
First Quarter	$.013	$.010
Second Quarter	$.011	$.0095
Third Quarter	$.012	$.012
Fourth Quarter	$.0046	$.0041

Fiscal Year Ended December 31, 2013	High Bid	Low Bid
First Quarter	$.016	$.016
Second Quarter	$.016	$.016
Third Quarter	$.012	$.018
Fourth Quarter	$.014	$.012

Stockholders

As of March 31, 2015, there were approximately 1,500 holders of record of our common stock, not including any persons who hold the stock in "street name."

Dividends

We have not paid any dividends on our common stock to date and do not anticipate that we will pay dividends in the foreseeable future. Any payment of cash dividends on our common stock in the future will be dependent upon the amount of funds legally available, our earnings, if any, our financial condition, our anticipated capital requirements and other factors that the Board of Directors may think are relevant. However, we currently intend for the foreseeable future to follow a policy of retaining all of our earnings, if any, to finance the development and expansion of our business and, therefore, do not expect to pay any dividends on our common stock in the foreseeable future. No dividends are required to be paid to holders of the Series B shares. However, the Company may not declare, pay or set aside any dividends on shares of any class or series of the Company's capital stock (other than dividends on shares of our common stock payable in shares of common stock) unless the holders of the Series B shares shall first receive, or simultaneously receive, an equal dividend on each outstanding share of Series B shares.

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Securities Authorized For Issuance Under Equity Compensation Plans

The following table contains information regarding our equity compensation plans as of December 31, 2014:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders			
2002 Stock Incentive Plan (1)	19,850,000	$ 0.03	-
2010 Equity Incentive Plan	19,550,000	$ 0.01	450,000
Equity compensation plans not approved by security holders			
Options	5,600,000	$ 0.01	
Warrants	23,028,643	$ 0.02	
Total	68,028,643		450,000

(1) This incentive plan has expired, and no additional options or awards can be granted under this plan.

Recent Issuances Of Unregistered Securities

We did not issue any unregistered securities during the three-month period ended December 31, 2014 that were not previously reported in a Current Report on Form 8-K.

Repurchase of Shares

We did not repurchase any of our shares during the fourth quarter of the fiscal year covered by this report.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable to a “smaller reporting company” as defined in Item 10(f)(1) of SEC Regulation S-K.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

During the past five years, we have focused our efforts on acquiring, improving, and planting Jatropha farms (which are located in Mexico). To date, most of the Jatropha trees that we planted in our farms have not been mature enough to bear significant amount of Jatropha fruit from which we could produce commercial quantities of Jatropha oil. Most of the trees that we planted are now, however, maturing and we expect that the more elite varieties should be able to produce a normal harvest of Jatropha seeds. However, our first farm, in which we planted over 20 varieties of trees and which was used largely as a test farm to determine which varieties of Jatropha are most suitable for commercial production in Mexico, has not produced many seeds. While certain varieties of Jatropha trees planted on the second farm have been more productive, the seeds being harvested from these trees on the second farm are being used to grow replacement trees for the less productive trees, and not for the purpose of producing oil. As a result, neither of these farms is expected to generate significant revenues in the short term future. Pending the selection of the best variety of Jatropha trees to plant on our third farm in the region, we planted a portion of our third farm with a (non-Jatropha) annual oil seed crop with plans to expand that planting significantly in the future, if we obtain additional adequate funding. This alternative crop has the potential to generate revenue and some profits, which will be used to defray the operating costs on the other two farms. Our intent is to develop agronomic best practices for the region and to prove yields for a future larger deployment. As a result, we do not expect to start cultivating and planting Jatropha trees on this third farm until we have obtained the results of the testing program we conducted on our first two farms and pending adequate funding. Because our farms are still young and developing and our agricultural practices are still evolving, we are unable to accurately predict the amount of fruit and Jatropha oil that our farms will produce in the future.

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Our Mexican farming operations are managed by us through our wholly owned Mexican subsidiary, Global Energias Renovables ("GER"), and the direct farm labor is employed through wholly owned Mexican companies owned by GCE Mexico. GCE Mexico has obtained its previous funding from on-going equity contributions from the affiliated investor of that entity. Revenues generated, and expected to be generated, by the operations of GCE Mexico's three farms will be used by that entity, and profits, if any, will be distributed to all owners of GCE Mexico (including this company, once the investor has recovered his investment and has been paid the accumulated preferred return).

GER currently receives payments from GCE Mexico to reimburse its expenses related to the management of the Mexico operations. In addition to the reimbursements received for managing GCE Mexico and the three Mexico farms, this company (Global Clean Energy Holdings, Inc.) generates revenues from fees received for providing advisory and management services to third parties regarding ag-energy farms and the uses of non-food based biofuels. Other than subsidies received from the Government of Mexico, these management/advisory service fees and the reimbursement payments from GCE Mexico have been our principal sources of cash flow.

In March 2013, we acquired the Camelina assets and operations of Sustainable Oils, LLC, a company that, since 2007, has been engaged in the development, production and commercialization of Camelina-based biofuels. Sustainable Oils has generated over $20 million of revenues during the four years prior to our acquisition. However, our ability to operate the Camilina operations in North America is dependent upon receiving additional financing. No assurance can be given that our business plan for the Camelina business will result in profitable operations. Sustainable Oils is a wholly-owned subsidiary. Its liabilities include an approximately $2.3 million liability, which debt is secured by a lien on three patents we acquired as part of the purchase of the Camelina assets from Targeted Growth, Inc.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States require management to make estimates and assumptions that affect the reported assets, liabilities, sales and expenses in the accompanying financial statements. Critical accounting policies are those that require the most subjective and complex judgments, often employing the use of estimates about the effect of matters that are inherently uncertain.

The Company's most critical accounting policies and estimates that may materially impact the Company's results of operations include:

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

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Certain other critical accounting policies, including the assumptions and judgments underlying them, are disclosed in Note 1 to the Consolidated Financial Statements included in this Annual Report. However, we do not believe that there are any alternative methods of accounting for our operations that would have a material effect on our financial statements.

Results Of Operations

Revenues. During the year ended December 31, 2014 and 2013 we recognized revenue of $1,299,075 and $332,320, respectively. The revenues that we generated in 2014 were primarily derived from Jatropha related advisory and management services we rendered to a third party. Revenues during the year ended December 31, 2014 increased by $966,755 from the comparable 2013 fiscal period because a $1,017,000 increase in advisory and management revenues. Revenues we generate from Jatropha advisory and management services are used for this company's operations. Advisory and management services revenue were approximately $1,298,000 and $281,000 in 2014 and 2013, respectively. Our current advisory agreements expire during 2015 and will have to be replace or renewed. Accordingly, the amount of advisory service revenues that we may generate in 2016 will depend on new advisory agreements, if any, that we obtain to replace the existing agreements.

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

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

Agricultural subsidies revenue - the Company receives agricultural subsidies from the Mexican government. Due to the uncertainty of these payments, the revenue is recognized when the payments are received.

In the short term, our goal is to increase the amount of advisory and management services that we render to third parties in order to generate revenues to fund our corporate working capital needs, and to generate Camelina-related revenues from the Camelina business that we acquired in March 2013. In the longer term, our goal is to substantially increase the revenues derived from the operations of our Jatropha farms, to rapidly ramp up our Camelina operations by increasing the amount of Camelina acreage, and to continue to generate fees from advisory services that we render to third parties.

Our cultivation of our Jatroph farms in Mexico produced substantial bio-mass from which we can produce charcoal. In 2014, we obtained the necessary governmental permits to produce and sell charcoal from these farms. Accordingly, now that we have obtained all permits necessary to produce charcoal from the biomass that is available at our Mexico farms, we anticipate that we will generate as much as $200,000 of revenue per year for the next three to four years.

General And Administrative Expenses. Our general and administrative expenses of $2,350,130 related to the year ended December 31, 2014 decreased by 9% from prior year's expense of $2,573,719 due to cost cutting efforts. General and administrative expenses principally consist of officer and employee compensation, outside services (such as legal, accounting, and consulting expenses), share-based compensation, and other general expenses (such as insurance, occupancy costs and travel).

Plantation and Operating Costs. For the year ended December 31, 2014 and 2013 we recorded Plantation Operating Costs from the operations of the farms of $132,639 and $786,300, respectively. The decrease in the year ended in 2014 from 2013 was mostly due to a reduction in replanting and cultivation costs at our Mexico farms as we scaled back planting of new Jatropha trees at those Mexico farms.

Write Down of Long Lived Assets. During the year ended December 31, 2014 we wrote down certain long term assets by $110,665 in the accumulated plantation development costs related to planting costs that are expected to be replanted in 2015, and in the year ended 2013 by $3,440,904. For 2013, this write off represented a reduction in the accumulated deferred growing cost balance related to our first Jatropha farm in Mexico which are considered to be commercially unproductive because the trees on those portions have not produced adequate growth for the age of the trees, potentially have origins that have not adapted to the climatic region, are planted on inadequate or unsuitable land, or have limited resistance to local fungus and pests. The trees in certain areas are not expected to produce enough yield or generate enough future revenues to offset the capital expended in a reasonable period of time and, accordingly, an impairment charge was recorded.

The Company regularly evaluates its property and equipment and other long-lived assets for impairment based on its classification as a) held for sale or b) to be held and used. Several criteria must be met before an asset is classified as held for sale, including that management with the appropriate authority commits to a plan to sell the asset at a reasonable price in relation to its fair value and is actively seeking a buyer. For assets held for sale, the Company recognizes the asset at the lower of carrying value or fair market value less costs to sell, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. For assets to be held and used, the Company reviews for impairment whenever indicators of impairment exist. The Company then compares the estimated future cash flows, at an average growth rate of 30% after 2015, of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment is recorded based on the fair value of the asset, typically measured using a discounted cash flow model with a discount rate of 65%. The projected cash flows used in the companies impairment test is over a 15 year period using approved forecasts. The company's assumptions related to the growth rate and the cash flow discount rate is management's estimates based on historical trends in the farm development and growth in the yield from the trees. There is a risk the actual results will be much less than management's assumptions used in the impairment test. Many factors, such as the weather, pest and disease control can cause the company's future cash flows to be less than expected.

If an asset is still under development, future cash flows include remaining construction costs. All recognized impairment losses, whether for assets held for sale or assets to be held and used, are recorded as operating expenses. See Note 1 for information on recorded impairment charges.

Interest Income/Expense. In fiscal 2014, we incurred approximately $1,187,000 of interest expense, compared to interest expense of approximately $999,500 in fiscal 2013. This increase in interest expense is primarily due to the increase in debt associated with the acquisition of the Camelina assets. We currently own approximately 15,000 acres of land in Mexico that is subject to interest bearing mortgages.

Net loss attributable to the non-controlling interest. Our Mexico farm operations are owned through GCE Mexico. We own 50% of the common membership interests of GCE Mexico. A third party investor currently owns

the other 50% of the common membership interests. The proceeds from the sale of the preferred membership units, and from subsequent capital contributions, have been used to fund the operations of Asideros Globales Corporativo 1 (“Asideros 1”) and Asideros Globales Corporativo 2 (“Asideros 2”), each of which have acquired land in Mexico that, collectively, constitute our first two Jatropha farms. Asideros Globales Corporativo 3 (“Asideros 3”) acquired our third farm in October 2011, but had no impact on the results of our operations. GCEH directly owns 1% of Asideros 1, Asideros 2 and Asideros 3, and the balance is owned by GCE Mexico. Accordingly, we own 50.5% of Asideros 1, Asideros 2 and Asideros 3 either directly or through our common membership interest in GCE Mexico. Our consolidated financial statements include the accounts of the Asideros farm entities. Under GCE Mexico’s LLC Agreement, the net loss allocated from these entities to GCE Mexico is then further allocated to the members of GCE Mexico according to the investment balances. Accordingly, since the common membership interest did not make a capital contribution, all of the losses allocated to GCE Mexico have been further allocated to the preferred membership interest. The net loss attributable to the non-controlling interest in the accompanying Consolidated Statement of Operations represents the allocation of the net loss of GCE Mexico to the preferred membership interests. This net loss decreased from $5,677,000 in 2013 to approximately $1,779,000 in 2014 primarily as a result of the write off of the value of portions of the Mexico farms owned by GCE Mexico in 2013.

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Net income/loss attributable to Global Clean Energy Holdings, Inc. The Company recorded net losses of $616,748 and $1,921,760 for the years ended December 31, 2014 and 2013, respectively. In fiscal 2013, we realized $1,314,532 more in net losses attributable to Global Clean Energy Holdings, Inc. because of the loss on sale of investment of $178,000, the added net costs incurred with the Camelina operations of a $624,000.

Liquidity and Capital Resources

As of December 31, 2014, we had $238,000 in cash and a working capital deficit of $6,410,283, as compared with $217,000 in cash and a working capital deficit of $6,285,000 at December 31, 2013.

The amount of cash or cash equivalent balances held at December 31, 2014 represents cash held in our corporate accounts and our joint venture accounts. Of these amounts, more than $170,000 was available and allocated for our general corporate purposes, with the remaining balance to be used in the operations of the Tizimin, Mexico farms owned by the GCE Mexico joint venture. As a result, the GCE Mexico funds will not be available to us for our corporate working capital or other purposes, and are not available to us to reduce our indebtedness. In order to fund our short-term working capital needs, we will have to obtain additional funding from the sale of assets, the sale of additional securities, additional borrowings, or from an increase in operating revenues. Outstanding indebtedness at December 31, 2014 totaled approximately $26,313,000. The existence of the foregoing working capital deficit and total current and long term liabilities may negatively impact our ability to obtain future equity or debt financing and the terms on which such additional financing, if available, can be obtained. We incurred net losses from operations of $1,270,000 and $6,648,000 for the years ended December 31, 2014 and 2013, respectively, and have an accumulated deficit applicable to its common stockholders of approximately $28,946,000 at December 31, 2014.

To date, we have funded our corporate overhead and other public company costs and expenses primarily from (i) the sale of debt and equity securities, (ii) monthly payments we received from our GCE Mexico joint venture, and (iii) fees we received for providing Jatropha related advisory services to third parties. During the year ended December 31, 2014, we received overhead reimbursements of $59,000 from GCE Mexico. The amount of cash on hand and the advisory service contracts currently in effect will not be sufficient to fund our total working capital needs for the next twelve months. Furthermore, we do not have sufficient financial resources to fund our business plan (which includes the expansion of our Camelina operations in the U.S., the purchase of additional biofuel farms and other capital outlays). Accordingly, unless we enter into additional advisory service agreements or otherwise receive cash proceeds, we will have to obtain additional funding in the near future from the sale of our securities to fund our cash needs. Our principal existing advisory/management agreements expire in 2015, and we have not entered into any new advisory agreements. Accordingly, no assurance can be given that we will be able to enter into new advisory/management agreements or that we will be able to raise additional capital to fund our growth capital needs. In addition, our principal investor in the GCE Mexico business has not committed to fully fund that entities' working capital requirements for 2015. Accordingly, it is uncertain whether GCE Mexico will have sufficient funds to operate in 2015 in accordance with our plans. If we do not receive the necessary funding from our GCE Mexico investor, we will have to find alternative sources of working capital and/or raise additional capital for GCE Mexico. If we are able to raise additional capital, we may have to reduce this company's operations and/or reduce our operations in Mexico. We have not identified any sources of the additional capital that we may need, and we cannot guarantee that such additional capital will be available and, if available, will be on terms favorable to the company and its stockholders.

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Our business plan contemplates that with additional funding we will (i) continue to develop our Jatropha business and operations (including possibly developing and cultivating our third Jatropha farm in Mexico), (ii) diversify our biofuel energy crop revenues from new revenues generated by our new Camelina operations, and(iii) increase our bio-fuel advisory and management services, as follows:

Jatropha Farm Operations. To date, revenues from our Jatropha farms located in Mexico have not been significant and have not met our expectations for various reasons, including the numerous varieties of the Jatropha trees that we planted, weather and soil conditions and cultivation techniques. We are currently addressing these issues. However, because of the time involved in replanting portions of our farms and in allowing the new trees to mature, and we do not anticipate that we will generate net revenues from the two farms that have been planted with Jatropha in the near future. The operational expenses of the Jatropha farms in Mexico are substantial and exceed the amount of revenues that the farms are expected to generate from operations in the near future. Our partner in GCE Mexico has provided the cash requirements for 2014 and first quarter of 2015 operating expenses of GCE Mexico. In addition, the Mexico government has issued all required permits to our Mexico joint venture and our Mexico joint venture has re-commence the production and sale of charcoal from the vegetation we harvested during the cultivation of our farms. Sales of charcoal are expected to partially offset or operating expenses in Mexico. No assurance can, however, be given that the costs of operating the Mexico farms will not exceed our budget, that we will be able make the planned charcoal sales, or that our GCE Mexico investor will, in fact, fund any future budgeted amounts.

Even if operations of the three Jatropha farms owned through GCE Mexico improve during the next few years, we do not project that these farms will generate sufficient cash to make cash distributions to Global Clean Energy Holdings, Inc. for several more years. Under our agreements with our GCE Mexico investors, all net cash generated from the Jatropha operations that are conducted through GCE Mexico must first be used to fund the operations of those farms, and any excess must thereafter be used to repay the capital contributed by our joint venture investors (plus their preferred return). The total amount of capital and the preferred return that must be paid to our joint venture investors before funds are distributed to us is in excess of $32,200,000 as of December 31, 2014. As a result, the improving operations of the Mexico farms will not produce short-term cash or improve our liquidity, nor will the improving operations of the Mexico farms generate funds that we can use for our business plan, for working capital purposes, or for the acquisition of additional Jatropha or other biofuel feedstock farms. Because of our negative working capital position, we currently do not have the funds necessary to acquire and cultivate additional Jatropha farms for our own account. Accordingly, in order to increase our farm ownership and operations, we will have to obtain significant additional capital through the sale of equity and/or debt securities, the forward sale of Jatropha oil and carbon offset credits, and from other financing activities, such as strategic partnerships and joint ventures.

Camelina Operations. In March 2013, we acquired the business and assets of Sustainable Oils, LLC, a company that has been engaged in developing Camelina products since 2007. Sustainable Oils has generated over $20 million in revenues during the past three years, but has incurred losses of approximately $5.8 million during that time, primarily due to research and development, patent, regulatory and business development costs. The Camelina operations will require a significant amount of additional cash to scale up its operations and to reach profitable operations. Our goal is to operate the Camelina business that we acquired through a new subsidiary. Furthermore, our goal is to fund the operations and expansion of the Camelina operations with new debt or equity that we intend to raise specifically for the Camelina subsidiary. In the first quarter of 2014, our Camelina subsidiary raised $130,000 in bridge financing from three investors by issuing its convertible promissory notes. The promissory notes bear interest at a rate of 8% per annum, mature on December 31, 2015, and are convertible into capital stock of our Camelina subsidiary beginning on January 1, 2015. In order to induce the investors to purchase the convertible notes, we issued to those investors warrants to purchase a total of 1,083,332 shares of our common stock at an exercise price of $.012 per share. In addition, we granted the three investors the right to "put" (sell) the convertible note shares of our Camelina subsidiary to us commencing at the end of 2018 for the price equal to the price that they paid for their convertible notes. If the "put" is exercised and we are required to purchase the shares of our subsidiary, we will have the right to pay for those shares in

cash or in shares of our common stock having a fair market value equal to the cash price. The proceeds from the foregoing bridge financing was used to fund the working capital needs of the Camelina subsidiary. While we have been in discussions with a number of sources for additional funding, we have not entered into any binding arrangements for the desired amount of new funding. No assurance can be given that we will obtain the additional capital necessary to operate and grow our new Camelina operations. In the event that we do not obtain the necessary amount of financing to properly operate and scale up our new Camelina operations, those operations are expected to continue to operate at a loss.

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As partial consideration for the Camelina assets that we purchased in March 2013, we issued a $1,300,000 promissory note. In September 2014, we renegotiated the terms of the note and agreed to return certain tangible assets that constituted the collateral under the promissory note to the holder of the promissory note in exchange for a reduction of the amount of accrued interest owed under the promissory note and an extension of the maturity date. Since December 31, 2014, the foregoing promissory note is now an unsecured promissory note that is payable on demand. However, the amount of payable under the promissory note is limited to amounts generated from the Camelina business that we acquired.

Bio-fuel Advisory and Management Services. Throughout 2014 and the first quarter of 2015, we entered into several bio-fuel advisory and management service agreements with third parties pursuant to which we are paid fees for providing Jatropha or Camelina bio-fuels development services. The fees that we have generated from these agreements have materially supplemented our other sources of revenues. Because of the longer lead times before our Jatropha and Camelina bio-fuel operations generate revenues for us, we need these advisory/management fees to supplement our revenues and to defray our overhead expenses. Accordingly, we are actively seeking additional advisory/management agreements with the our current clients as well as others.

Other Potential Source of Liquidity.

We presently do not have any available credit, bank financing or other external sources of liquidity. In the absence of additional outside funding (including proceeds from the sale of our securities, or entering into other joint venture relationships), we do not have the ability to expand our business or acquire additional Jatropha or other biofuel feedstock farms. If we issue additional equity or debt securities to fund our future capital needs, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. Should we fail to increase the amount of revenues we receive from our advisory services and/or raise additional debt or equity funding, we will have to materially scale back our current and proposed operations or take other actions to preserve our on-going operations. Any such action will have a materially adverse effect on an investment in our common stock.

Inflation and changing prices have had no effect on our continuing operations over our two most recent fiscal years.

We have no off-balance sheet arrangements as defined in Item 303(a) of Regulation S-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to a "smaller reporting company."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial Statements are referred to in Item 15, listed in the Index to Financial Statements and filed and included elsewhere herein as a part of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

In connection with the audit of our financial statements for the fiscal year ended December 31, 2013, we had a disagreement with Anton & Chia regarding our fee arrangement and, as discussed below, with certain accounting principles or practices. Anton & Chia met with the audit committee of our Board of Directors, but did not report on any disagreements regarding any accounting matters. After Anton & Chia's meeting with the audit committee, a dispute arose with Anton & Chia regarding our fee arrangement. Thereafter, Anton & Chia notified the Company that there were disagreements regarding our financial statements. On April 15, 2014, Anton & Chia informed us that it has resigned in an e-mail that read, in its entirety, as follows: "Take this email as our resignation."

Because Anton & Chia was engaged in October 2013, Anton & Chia had not previously issued an accountant's report on any of our financial statements. Accordingly, during the past two years we did not receive any report from Anton & Chia that contained an adverse opinion or a disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principles. Our prior accountant's report on our financial statements for the prior two years ended December 31, 2013 did not contain an adverse opinion or disclaimer of opinion, and was not modified as to uncertainty, audit scope, or accounting principles, except that there was an explanatory paragraph relating to the Company's ability to continue as a "going concern." In addition, there were no reportable events of the type described in Item 304(a)(1)(v) of Regulation S-K.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures which are designed to ensure that the information required to be disclosed in the reports it files or submits under the Securities Exchange Act of 1934 (as amended, the "Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer ("Certifying Officers"), to allow timely decisions regarding required financial disclosures.

In connection with the preparation of this Annual Report, our Certifying Officers evaluated the effectiveness of management's disclosure controls and procedures, as of December 31, 2014, in accordance with Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based on that evaluation, the Certifying Officers concluded that management's disclosure controls and procedures were effective as of December 31, 2014.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 15d-15(f) under the Exchange Act, and for assessing the effectiveness of internal control over financial reporting.

Internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting

principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use, or disposition of our assets that could have a material effect on our financial statements.

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Management, with the participation of our principal executive and financial officers, conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that, as of December 31, 2014, our internal control over financial reporting was effective.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm as such attestation is not required for non-accelerated filers such as us pursuant to applicable SEC rules.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

The following table sets forth the name, age and position held by each of our current executive officers and directors. Directors are elected for a period of one year and thereafter serve until the next annual meeting at which their successors are duly elected by the stockholders.

Name	Age	Position
David R. Walker (1)	72	Chairman of the Board
Richard Palmer	54	President, Chief Executive Officer and Director
Donna Reilly	46	Chief Financial Officer

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(1) Member of our Audit Committee

Business Experience and Directorships

The following describes the backgrounds of current executive officers and directors. Mr. Walker and is an independent directors as defined in the Nasdaq rules governing members of boards of directors.

David R. Walker

David R. Walker joined the Board of Directors on May 2, 1996, and was appointed Chairman of the Board of Directors on May 10, 1998. He has served as Chairman of the Audit Committee since its establishment in 2001. For over 20 years, Mr. Walker has been the General Manager of Sunheaven Farms, the largest onion growing and packing entity in the State of Washington. In the capacity of General Manager, Mr. Walker performs the functions of a traditional chief financial officer. Mr. Walker holds a Bachelor of Arts degree in economics from Brigham Young University with minors in accounting and finance.

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The Board believes that Mr. Walker's experience regarding the operation and management of large-scale agricultural farms and his experience as a financial officer are valuable resources to our Board in formulating business strategy, addressing business opportunities and resolving operational issues that arise from time to time.

Richard Palmer

Richard Palmer was appointed as our President and Chief Operating Officer in September 2007, and been a member of the Board of Directors since September 2007. Mr. Palmer became our Chief Executive Officer on December 21, 2007. Mr. Palmer has over 25 years of hands-on experience in the energy field, holding senior level management positions with a number of large engineering, development, operations and construction companies. He is a co-founder of Mobius Risk Group, LLC, an energy risk advisory services consulting company, and was a principal and Executive Vice President of that consulting company from January, 2002 until September 2007. From 1997 to 2002, Mr. Palmer was a Senior Director at Enron Energy Services. Prior thereto, from 1995 to 1996 Mr. Palmer was a Vice President of Bentley Engineering, and a Senior Vice President of Southland Industries from 1993 to 1996. Mr. Palmer received his designation as a Certified Energy Manager in 1999, holds two Business Management Certificates from University of Southern California's Business School, and is an active member of both the American Society of Plant Biologists, and the Union of Concerned Scientists. Mr. Palmer is Trustee & President of the Center for Sustainable Energy Farming (CFSEF), a non-profit research institute dedicated to sustainable communities, fueled by socially-responsible clean energy. In February 2013, Mr. Palmer joined the RSB Services Foundation's Board of Directors and held the Chairman role from April until December 2013. RSB Services acted as the implementing entity of the Roundtable on Sustainable Biofuels (RSB) sustainability certification until December 2013.

Over the last 25 years, Mr. Palmer has held senior level management positions with a number of large engineering, development, operations and construction companies, and, as a result, he has garnered a wealth of experience in the energy field. Mr. Palmer's experience is important to the development and execution of the Company's business plan. Mr. Palmer is the only member of management who serves as a director of the Company.

Donna Reilly

Donna Reilly was appointed as our Chief Executive Officer on March 19, 2014. Ms. Reilly joined Global Clean Energy Holdings, Inc. in January 2010 as our Accounting Manager and was later promoted to Controller in 2011. From June 2005 to January 2010, Ms. Reilly was an Accounting Manager at Automotive Information Network. Additionally, Ms. Reilly was an auditor at Deloitte & Touch, LLP for over four years. Ms. Reilly received her B.S. in Accounting from National University and is a certified public accountant.

Richard Palmer and Donna Reilly currently also serve as the Chief Executive Officer and Chief Financial Officer, respectively, for each of our subsidiaries. Mr. Palmer is the sole director of our subsidiaries.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

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Based solely on information provided to us by our officers and our review of copies of reporting forms received by us, we believe that during fiscal year ended December 31, 2014, our current officers and directors complied with the filing requirements under Section 16(a).

Code of Ethics

Our Board of Directors has adopted a code of ethics that applies to our principal executive officers, principal financial officer or controller, or persons performing similar functions ("Code of Ethics"). A copy of our Code of Ethics will be furnished without charge to any person upon written request. Requests should be sent to: Secretary, Global Clean Energy Holdings, Inc., 2790 Skypark Drive, Suite 105, Torrance, California 90505.

Board Committees

Our Board of Directors has an Audit Committee, but does not currently have a Compensation Committee or a Nominating Committee.

The Audit Committee meets periodically with management and with our independent registered public accounting firm to, among other things, review the results of the annual audit and quarterly reviews and discuss the financial statements. The audit committee also hires the independent registered public accounting firm, and receives and considers the accountant's comments as to controls, adequacy of staff and management performance and procedures. The Audit Committee is also authorized to review related party transactions for potential conflicts of interest. During the fiscal year ended December 31, 2014, Dave Walker and Martin Wenzel constituted all of the members of the Audit Committee. Both Mr. Walker and Dr. Wenzel were non-employee directors and independent as defined under the Nasdaq Stock Market's listing standards. Mr. Walker has significant knowledge of financial matters, and our Board has designated Mr. Walker as the "audit committee financial expert" of the Audit Committee. The Audit Committee met four times in connection with this Annual Report and our Quarterly Reports on Form 10-Q for fiscal 2014. The Audit Committee operates under a formal charter that governs its duties and conduct. Mr. Wenzel resigned from the Board at the end of 2014. Accordingly, Mr. Walker currently is our only member of the Audit Committee.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table.

The following table sets forth certain information concerning the annual and long-term compensation for services rendered to us in all capacities for the fiscal years ended December 31, 2014 and 2013 of all persons who served as our principal executive officer during the fiscal year ended December 31, 2014 and for any other executive officer who earned annual compensation during the fiscal year ended December 31, 2014 greater than $100,000. Donna Reilly, currently our Chief Financial Officer, was appointed on March 19, 2014 and, accordingly, was not an executive officer in 2013.

Summary Compensation Table

Name and Principal Position	Fiscal Year Ended 12/31	Salary Paid or Accrued ($)	Bonus Paid or Accrued ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Richard Palmer	2014	250,000			-		250,000

	2013	250,000		250,000
Donna Reilly	2014	124,200	10,000	134,200

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Stock Option Grant

The following table sets forth information as of December 31, 2014, concerning unexercised options, unvested stock and equity incentive plan awards for our Named Executive Officers.

OUTSTANDING EQUITY AWARDS AT YEAR ENDED DECEMBER 31, 2014

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Richard Palmer	-	12,000,000		0.015	3/16/2020				
	3,250,000			0.01	12/31/2017				
Donna Reilly	100,000			0.04	08/17/2015				
	250,000			0.02	04/01/2016				
	125,000	375,000		0.01	01/17/2018				
	375,000	1,125,000		0.01	07/08/2018				
	250,000	750,000		0.01	03/18/2019				

Director Compensation.

Pursuant to our Board of Directors' the Compensation Policy, non-employee directors are entitled to receive the following benefits, among others, in consideration for their services as directors of the Company:

- Monthly cash payments of $2,000;
- Annual grants of non-qualified stock options to purchase up to 500,000 shares of the Company's common stock;
- Participation in the Company's stock option plans; and
- Reimbursement of certain expenses incurred in connection with attendance of meetings of the Board and Board Committee.

The following table sets forth information concerning the compensation paid to each of our non-employee directors during fiscal 2014 for their services rendered as directors. The compensation of Richard Palmer, who currently serves as a director and as our President and Chief Executive Officer and Donna Reilly, Chief Financial Officer, is described above in the Summary Compensation Table.

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DIRECTOR COMPENSATION FOR FISCAL YEAR 2014

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards(1)(2)	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
David R. Walker	$ 24,000		$ 42,500				$ 66,500
Richard Palmer	-		-				-
Total	$ 24,000		$ 42,500				$ 66,500

(1) This column represents the aggregate grant date fair value of option awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions with respect to the option grants, refer to Note 8 of our financial statements in this Annual Report. These amounts do not correspond to the actual value that will be recognized by the named directors from these awards.

(2) Pursuant to the company's director compensation, each non-employee director is entitled to an annual grant of options to acquire 500,000 shares. Each director received options to acquire 500,000 shares of the company's common stock at an exercise price of $0.01 per share, effective July 1, 2014.

Employment Agreements

Richard Palmer. Effective December 31, 2014, we entered into an employment agreement (the "Employment Agreement") with Richard Palmer, our President and Chief Executive Officer, for a term of five (5) years. Under the Employment Agreement, we granted Mr. Palmer an incentive option to purchase up to 16,959,377 shares of our common stock at an exercise price of $0.0041 (the closing trading price on the date the agreement was signed and approved), with 25% vesting immediately and the balance vesting in equal amounts over the next 48 months. In the event of a proposed sale, merger or other proposed change in control of the Company, Executives new stock options will immediately vest.

In addition, Mr. Palmer's compensation package includes a base salary of $250,000, and a bonus payment contingent on Mr. Palmer's satisfaction of certain performance criteria, which will not exceed 50% of Mr. Palmer's base salary. In the event that (i) we terminate Mr. Palmer's employment for reasons other than "cause" (as defined in the Employment Agreement to include material breaches by him of the agreement, fraud, misappropriation of funds or embezzlement), or if (ii) Mr. Palmer resigns because we breached the Employment Agreement, we will be obligated to pay Mr. Palmer an amount equal to twelve (12) months of his base salary.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information regarding beneficial ownership of our common stock as of March 31, 2015 by (a) each person known by us to own beneficially 5% or more of each class of our outstanding voting shares (i.e. our common stock and our Series B Preferred Stock), (b) each of our named executive officers listed in the Summary Compensation Table and each of our directors and (c) all executive officers and directors of this company as a group. As of March 31, 2015, there were 339,187,545, shares of our common stock issued and outstanding. As of

the same date, there were 13,000 shares of our Series B Preferred Stock issued and outstanding, which shares of preferred stock were convertible into an aggregate of 11,818,181 shares of common stock. Unless otherwise noted, we believe that all persons named in the table have sole voting and investment power with respect to all the shares beneficially owned by them.

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Name and Address of Beneficial Owner (1)	Shares Beneficially Owned (2)	Percent of Class of Common Stock
Preferred Stock:		
Corporativo LODEMO S.A DE CV Calle 18, #201-B x 23 y 25, Colonias Garcia Gineres, C.P. 97070 Merida, Yucatan, Mexico	9,090,908(3)	2.68%
Greenrock Capital Holdings LLC 10531 Timberwood Circle, Suite D Louisville, Kentucky 40223	2,727,273(4)	.80%
Common Stock:		
Targeted Growth, Inc. 2815 Eastlake Ave E, Suite 300 Seattle WA 98102	40,000,000	11.79%
Roll Energy Investments LLC 11444 West Olympic Boulevard, 10th Floor Los Angeles, California 90064	36,444,500(5)	11.24%
Michael Zilkha 1001 McKinney, Suite 1900 Houston TX 77002	45,455,690(6)	12.63%
Directors/Named Executive Officers:		
Richard Palmer	88,239,617(7)	22.19%
David R. Walker	5,153,539 (8)	1.5%
Donna Reilly	3,350,000 (9)	*
All Named Executive Officers and Directors as a group (4 persons)	96,743,156	24.60%

* Less than 1%

(1) Unless otherwise indicated, the business address of each person listed is c/o Global Clean Energy Holdings, Inc., 2790 Skypark Drive, Torrance, California, 90505.

(2) For purposes of this table, shares of common stock are considered beneficially owned if the person directly or indirectly has the sole or shared power to vote or direct the voting of the securities or the sole or shared power to dispose of or direct the disposition of the securities. Shares of common stock are also considered beneficially owned if a person has the right to acquire beneficial ownership of the shares upon exercise or conversion of a security within 60 days of November 3, 2014.

(3) Consists of 9,090,908 shares of common stock that may be acquired upon the conversion of shares of Series B Preferred Stock. Corporativo LODEMO owns 10,000 shares of our Series B Preferred Stock, which represents approximately 76.92% of the issued and outstanding shares of that class of securities.

(4) Consists of 2,727,273 shares of common stock that may be acquired upon the conversion of shares of Series B Preferred Stock. Greenrock owns 3,000 shares of our Series B Preferred Stock, which represents approximately

23.08% of the issued and outstanding shares of that class of securities.
(5) Includes (i) 945,000 shares that may be acquired upon exercise of currently exercisable warrants, and (ii) 9,450,000 shares issuable upon conversion of an outstanding convertible promissory note. The common shares, warrants and convertible note disclosed herein are directly owned by Roll Energy Investments LLC (“Roll LLC”). However, Stewart Resnick is the sole manager of Roll LLC and, as a result of his control over Roll LLC, he is deemed to beneficially own the securities held by Roll LLC.
(6) Includes (i) 945,000 shares that may be acquired upon exercise of currently exercisable warrants, and (ii) 9,450,000 shares issuable upon conversion of an outstanding convertible promissory note.
(7) Consists of 60,030,240 outstanding shares and 28,209,377 shares that may be acquired upon the exercise of currently exercisable options.
(8) Includes 4,750,000 shares that may be acquired upon the exercise of options.
(9) Consists of 4,750,000 shares that may be acquired upon the exercise of options.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Certain Relationships and Related Transactions

Roll Energy Investments LLC ("Roll LLC") and Michael Zilkha each presently owns more than 10% of our common stock. Stewart Resnick is the sole manager of Roll LLC and, as a result of his control over Roll LLC, he is deemed to beneficially own the securities held by Roll LLC.

Our principal asset and our three operating Jatropha farms are owned in a joint venture in which both Mr. Resnick and Mr. Zilkha were principals during 2013. As noted elsewhere in this report, we currently own 50% of the issued and outstanding common membership units of GCE Mexico, with the remaining 50% currently held by four other investors (the "Common Members"). Additionally, Mr. Zilkha (the "Preferred Member") currently owns all of the preferred membership units of GCE Mexico. Until December 2013, Mr. Resnick was affiliated with one of the Common Members and one of the Preferred Members, and Mr. Zilkha was affiliated with four of the Common Members and the other Preferred Member. In December 2013, Mr. Zilkha acquired all of Mr. Resnick's interests in GCE Mexico. The Preferred Member is entitled to a preferential 12% per annum cumulative compounded return on their investment in GCE Mexico.

As of March 31, 2015, the Preferred Members have contributed a total of $22,517,000 to GCE Mexico. The Preferred Members also directly funded the purchase by GCE Mexico of the land in the State of Yucatan in Mexico on which the GCE Mexico three farms are located. The purchase of land for the three farms was funded by mortgage loans, which cumulatively had an initial principal balance of $5,110,189. The mortgages bear interest at the rate of 12% per annum, and interest is payable on a quarterly basis to the extent the borrower has sufficient cash flow. The three mortgages, including any unpaid interest, become due in April 2018, February 2020, June 2021 and October 2021.

Director Independence

Our common stock is traded on the OTC Bulletin Board and OTCQB Market. Neither the OTC Bulletin Board electronic trading platform nor the OTCQB Market maintains any standards regarding the "independence" of the directors on our company's Board of Directors, and we are not otherwise subject to the requirements of any national securities exchange or an inter-dealer quotation system with respect to the need to have a majority of our directors be independent.

In the absence of such requirements, we have elected to use the definition for "director independence" under the Nasdaq Stock Market's listing standards, which defines an "independent director" as "a person other than an officer or employee of us or its subsidiaries or any other individual having a relationship, which in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director." The definition further provides that, among others, employment of a director by us (or any parent or subsidiary of ours) at any time during the past three years is considered a bar to independence regardless of the determination of our Board of Directors.

Our Board of Directors has determined that Mr. Walker is an independent director as defined in the Nasdaq rules relating to director independence. Mr. Walker is a non-employee director.

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ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

On April 15, 2014 Anton & Chia resigned as our independent registered public accounting firm and on September 16, 2014, the audit committee appointed Hartley Moore Accountancy Corporation ("Hartley Moore") as our independent registered public accounting firm for the year ended December 31, 2014. Hartley Moore has audited our financial statements for the year ended December 31, 2014.

The following is a summary of the fees billed, or expected to be billed, to the Company by Hartley Moore, Hansen, Barnett & Maxwell and Anton & Chia for professional services rendered for the years ended December 31, 2014 and 2013. These fees are for work performed related to the years indicated and, in some instances, we have estimated the fees for services rendered but not yet billed.

2014	Audit Fees	Audit Related Fees	Tax Fees	Total Fees
Hansen, Barnett & Maxwell	$7,900	$-	$-	$7,900
Hartley Moore	$55,650	$-	$-	$55,650
2013				
Hansen, Barnett & Maxwell	$62,329	$-	$-	$62,329
Anton & Chia	$10,000	$-	$-	$10,000
Harley Moore	$36,750	$800		$37,550

Audit Fees:
Consists of fees billed for professional services rendered for the audit of the Company's annual financial statements and the review of the interim financial statements included in the Company's Quarterly Reports (together, the "Financial Statements") and for services normally provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees:
Consists of fees billed for assurance and related services reasonably related to the performance of the annual audit or review of the Financial Statements (defined above).

Tax Fees:
Consists of fees billed for tax compliance, tax advice and tax planning.

All Other Fees:
Consists of fees billed for other products and services not described above.

Audit Committee Pre-Approval Policies and Procedures

Consistent with SEC policies, the Audit Committee charter provides that the Audit Committee shall pre-approve all audit engagement fees and terms and pre-approve any other significant compensation to be paid to the independent registered public accounting firm. No other significant compensation services were performed for us by Hartley Moore Accountancy Corporation or Hansen, Barnett & Maxwell. P.C. during 2014 and 2013.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Our financial statements and related notes thereto are listed and included in this Annual Report beginning on page F-1. The following documents are furnished as exhibits to this Form 10-K. Exhibits marked with an asterisk are filed herewith. The remainder of the exhibits previously have been filed with the Commission and are incorporated herein by reference.

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Number	Exhibit
3.1	Amended and Restated Articles of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, and incorporated herein by reference).
3.2	Amended Bylaws of the Company (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, and incorporated herein by reference).
4.1	Certificate of Designations of Preferences and Rights of Series A Convertible Preferred Stock of Medical Discoveries, Inc. (filed as Exhibit 4.1 to Registration Statement No. 333-121635 filed on Form SB-2 on December 23, 2004, and incorporated herein by reference).
4.4	Amendment to Certificate of Designations of Preferences and Rights of Series A Convertible Preferred Stock of Medical Discoveries, Inc. (filed as Exhibit 4.2 to Registration Statement No. 333-121635 filed on Form SB-2 on December 23, 2004, and incorporated herein by reference).
4.5	Certificate Of Designation of Preferences and Rights Series B Convertible Preferred Stock of Medical Discoveries, Inc. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed November 13, 2007, and incorporated herein by reference)
10.1	2002 Stock Incentive Plan adopted by the Board of Directors as of July 11, 2002 (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2002, and incorporated herein by reference).
10.2	Employment Agreement dated September 7, 2007 between Medical Discoveries, Inc. and Richard Palmer (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 17, 2007, and incorporated herein by reference)
10.3	Stock Purchase Agreement, dated October 30, 2008, between the Global Clean Energy Holdings, Inc. and the four stockholders of Technology Alternatives Limited, a Belizean Company formed under the Laws of Belize (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-QSB filed November 14, 2008, and incorporated herein by reference)
10.4	Limited Liability Company Agreement of GCE Mexico I, LLC, a Delaware Limited Liability Company, dated April 23, 2008 (filed on December 31, 2009, as Exhibit 10.17 to the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2008, and incorporated herein by reference)
10.5	Sale and Asset Purchase Agreement, dated November 16, 2009, between Global Clean Energy Holdings, Inc., MDI Oncology, Inc., and Curadis Gmbh (filed as an Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 20, 2009, and incorporated herein by reference)
10.6	Amendment to Employment Agreement, dated March 16, 2010, between Global Clean Energy Holdings, Inc. and Richard Palmer (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K filed on March 31, 2010, and incorporated herein by reference)
10.7	Stock Option Agreement, dated March 16, 2010, between Global Clean Energy Holdings, Inc. and Richard Palmer (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K filed on March 31, 2010, and

	incorporated herein by reference)
10.8	Stock Purchase Agreement, dated as of March 2009, among Global Clean Energy Holdings, Inc., and Technology Alternatives Limited and its stockholders listed therein (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 20, 2009, and incorporated herein by reference)
10.9	Office Lease, dated as of February 2, 2014, between Global Clean Energy Holdings, Inc. and Skypark Atrium, LLC*
10.10	Asset Purchase Agreement, dated March 12, 2013, between Targeted Growth, Inc. and Global Clean Energy Holdings, Inc.*

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Number	Exhibit
10.11	Secured Promissory Note, dated March 13, 2013, issued by Global Clean Energy Holdings, Inc. to Targeted Growth, Inc.*
10.12	Security Agreement, dated March 13, 2013 between Targeted Growth, Inc. and Global Clean Energy Holdings Inc.*
10.13	LLC Interest Purchase Agreement, dated March 12, 2013, between Global Clean Energy Holdings, Inc., Targeted Growth, Inc. and Green Earth Fuels, LLC
10.14	Employment Agreement, Richard Palmer, with Global Clean Energy Holdings, Inc., as of December 31, 2014 *
14.1	Medical Discoveries, Inc. Code of Conduct (filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K filed on April 15, 2009, and incorporated herein by reference)
23	Consent of Hartley Moore Accountancy Corporation *
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Chief Executive Officer pursuant to Section
32.2	906 of the Sarbanes-Oxley Act of 2002.*
101.INS	Certification of the Chief Financial Officer pursuant to Section 906
101.SCH	of the Sarbanes-Oxley Act of 2002.*
101.CAL	XBRL Instance Document
101.DEF	XBRL Taxonomy Extension Schema
101.LAB	XBRL Taxonomy Extension Calculation
101.PRE	XBRL Taxonomy Extension Definition
	XBRL Taxonomy Extension Label
	XBRL Taxonomy Extension Presentation

* Filed herewith.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL CLEAN ENERGY HOLDINGS, INC.

March 31, 2015

By: /s/ RICHARD PALMER
Richard Palmer
President and Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RICHARD PALMER Richard Palmer	Chief Executive Officer Principal Executive Officer) and Director	March 31, 2015
/s/ DONNA REILLY Donna Reilly	Interim Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 31, 2015
/s/ DAVID WALKER David Walker	Chairman, the Board of Directors	March 31, 2015

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Global Clean Energy Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Global Clean Energy Holdings, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in equity (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Clean Energy Holdings, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company incurred net losses and used cash in operating activities for the years ended December 31, 2014 and 2013 and has an accumulated deficit of approximately $29,000,000 and negative working capital at December 31, 2014. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

/s/ Hartley Moore Accountancy Corporation
Hartley Moore Accountancy Corporation

Irvine, California
March 31, 2015

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

	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$238,485	$216,531
Accounts receivable	213,962	38,559
Inventory	35,201	37,296
Other current assets	37,580	157,469
Total Current Assets	525,228	449,855
PROPERTY AND EQUIPMENT, NET	13,834,255	15,495,781
INTANGIBLE ASSETS, NET	3,727,724	3,972,950
OTHER NONCURRENT ASSETS	5,744	7,021
TOTAL ASSETS	$18,092,951	$19,925,607
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$3,651,606	$3,807,646
Accrued payroll and payroll taxes	1,249,815	1,170,223
Capital lease liability - current portion	-	818
Notes payable - current portion	1,337,089	1,376,000
Convertible notes payable	697,000	567,000
Total Current Liabilities	6,935,510	6,921,687
LONG-TERM LIABILITIES		
Accrued interest payable	4,166,607	3,154,826
Accrued return on noncontrolling interest	10,101,080	7,442,730
Mortgage notes payable	5,110,189	5,110,189
Total Long Term Liabilities	19,377,876	15,707,745
STOCKHOLDERS' DEFICIT		
Preferred stock - $0.001 par value; 50,000,000 shares authorized Series B, convertible; 13,000 shares issued and outstanding(aggregate liquidation preference of $1,300,000)	13	13
Common stock, $0.001 par value; 500,000,000 shares authorized; 339,187,545 issued and outstanding	339,187	339,187
Additional paid-in capital	25,657,177	25,600,050

Accumulated deficit	(28,946,103)	(28,338,875)
Accumulated other comprehensive loss	(66,586)	(63,020)
Total Global Clean Energy Holdings, Inc. Stockholders' Deficit	(3,016,312)	(2,462,645)
Noncontrolling interests	(5,204,123)	(241,180)
Total Stockholders' Deficit	(8,220,435)	(2,703,825)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$18,092,951	$19,925,607

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

GLOBAL CLEAN ENERGY HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2014	2013
Revenue	$1,297,847	$281,248
Subsidy Income	1,228	51,072
Total Revenue	1,299,075	332,320
Operating Expenses		
General and administrative	2,350,130	2,573,719
Loss on sale of investment held for sale	-	178,896
Gain on disposal of Fixed Assets	(23,957)	-
Write down of long lived assets	110,665	3,440,904
Plantation operating costs	132,639	786,300
Total Operating Expenses	2,569,477	6,979,819
Loss from Operations	(1,270,402)	(6,647,499)
Other Income (Expenses)		
Other income	17	90
Interest expense	(1,187,463)	(999,524)
Gain on settlement of liabilities	62,035	50,138
Foreign currency transaction gain (loss)	529	(1,612)
Other Expenses, Net	(1,124,882)	(950,908)
Net Loss	(2,395,284)	(7,598,407)
Less Net Loss Attributable to the Noncontrolling Interest	(1,778,536)	(5,676,647)
Net Loss Attributable to Global Clean Energy Holdings, Inc.	$(616,748)	$(1,921,760)
Amounts attributable to Global Clean Energy Holdings, Inc. common shareholders:		
Loss from Continuing Operations	$(616,748)	$(1,921,760)
Basic and diluted Loss per Common Share:		
Net Loss per Common Share	$(0.0018)	$(0.0059)

2.0

INTEREST EXPENSE	18.7	20.8

INCOME BEFORE INCOME TAXES		88.0		93.7
INCOME TAXES		31.8		35.7
NET INCOME	$	56.2	$	58.0
CONTRIBUTION TO VECTREN BASIC EPS	$	0.70	$	0.76

Significant Fluctuations

Utility Group Margin

Throughout this discussion, the terms Gas Utility margin and Electric Utility margin are used. Gas Utility margin is calculated as Gas utility revenues less the Cost of gas. Electric Utility margin is calculated as Electric utility revenues less Cost of fuel & purchased power. The Company believes Gas Utility and Electric Utility margins are better indicators of relative contribution than revenues since gas prices and fuel costs can be volatile and are generally collected on a dollar-for-dollar basis from customers.

Sales of natural gas and electricity to residential and commercial customers are seasonal and are impacted by weather. Trends in average use among natural gas residential and commercial customers have tended to decline in recent years as more efficient appliances and furnaces are installed and the price of natural gas have been volatile. Normal temperature adjustment (NTA) and lost margin recovery mechanisms largely mitigate the effect on Gas Utility margin that would otherwise be caused by variations in volumes sold to these customers due to weather and changing consumption patterns. Indiana Gas' territory has both an NTA since 2005 and lost margin recovery since 2006. SIGECO's natural gas territory has an NTA since 2005 and lost margin recovery since 2007. The Ohio service territory had lost margin recovery since 2006. The Ohio lost margin recovery mechanism ended when new base rates went into effect in February 2009. This mechanism was replaced by a rate design, commonly referred to as a straight fixed variable rate design, which is more dependent on service charge revenues and less dependent on volumetric revenues than previous rate designs. This new rate design, which will be fully phased in February 2010, will eventually mitigate most weather risk in Ohio. SIGECO's electric service territory has neither NTA nor lost margin recovery mechanisms.

Gas and electric margin generated from sales to large customers (generally industrial and other contract customers) is primarily impacted by overall economic conditions and changes in demand for those customers' products. The recent recession has had and may continue to have some negative impact on both gas and electric large customers. This impact has included, and may continue to include, tempered growth, significant conservation measures, and perhaps even plant closures or bankruptcies. While no one industrial customer comprises 10 percent of consolidated margin, the top five industrial electric customers comprise approximately 11 percent of electric utility margin in the three months ended March 31, 2009, and therefore any significant decline in their collective margin could adversely impact operating results. Deteriorating economic conditions may also lead to continued lower residential and commercial customer counts.

Margin is also impacted by the collection of state mandated taxes, which fluctuate with gas and fuel costs, as well as other tracked expenses. Expenses subject to tracking mechanisms include Ohio bad debts and percent of income payment plan expenses, costs associated with exiting the merchant function and to perform riser replacement in Ohio, Indiana gas pipeline integrity management costs, costs to fund Indiana energy efficiency programs, MISO transmission revenues and costs, as well as the gas cost component of bad debt expense based on historical experience and unaccounted for gas. Unaccounted for gas is also tracked in the Ohio service territory. Certain operating costs, including depreciation, associated with operating environmental compliance equipment and regional transmission investments are also tracked.

Electric wholesale activities are primarily affected by market conditions, the level of excess generating capacity, and electric transmission availability. Following is a discussion and analysis of margin generated from regulated utility operations.

Gas Utility Margin (Gas utility revenues less Cost of gas)
Gas Utility margin and throughput by customer type follows:

	Three Months Ended March 31,	
(In millions)	2009	2008
Gas utility revenues	$ 527.4	$ 633.6
Cost of gas sold	354.6	462.0
Total gas utility margin	$ 172.8	$ 171.6
Margin attributed to:		
Residential & commercial customers	$ 152.6	$ 150.9
Industrial customers	15.1	16.5
Other	5.1	4.2
Sold & transported volumes in MMDth attributed to:		

Residential & commercial customers	52.6	57.8
Industrial customers	24.1	28.7
Total sold & transported volumes	76.7	86.5

For the quarter ended March 31, 2009, gas utility margins were $172.8 million, increasing $1.2 million over the prior year. Margin increases associated with regulatory initiatives including the full impact of the Vectren North base rate increase effective in February 14, 2008 and the Vectren Ohio base rate increase effective February 22, 2009, were $3.5 million. Increases were offset by impacts of the recession, including an estimated $1.9 million decrease in industrial customer margin and slightly lower residential and commercial customer counts, which decreased margin approximately $0.6 million. The impact of operating costs, including revenue and usage taxes, recovered in margin was generally flat year over year and reflects lower revenue taxes offset by higher pass through operating expenses. The average cost per dekatherm of gas purchased for the three months ended March 31, 2009, was $7.39 compared to $9.44 in 2008.

Electric Utility Margin (Electric Utility revenues less Cost of fuel and purchased power)
Electric Utility margin and volumes sold by customer type follows:

	Three Months Ended March 31,			
(In millions)	2009		2008	
Electric utility revenues	$	125.0	$	127.2
Cost of fuel & purchased power		47.0		46.0
Total electric utility margin	$	78.0	$	81.2
Margin attributed to:				
Residential & commercial customers	$	52.5	$	51.3
Industrial customers		19.1		20.2
Other customers		0.7		1.6
Subtotal: retail & firm wholesale	$	72.3	$	73.1
Wholesale power marketing	$	5.7	$	8.1
Electric volumes sold in GWh attributed to:				
Residential & commercial customers		671.6		715.2
Industrial customers		509.0		600.7
Other customers		5.1		36.6
Total retail & firm wholesale volumes sold		1,185.7		1,352.5

Retail Margin
Electric retail and firm wholesale utility margins were $72.3 million for the three months ended March 31, 2009, a decrease over the prior year of $0.8 million. Increased margin associated with returns on pollution control investments totaled $0.5 million; margin associated with tracked costs such as recovery of pollution control and MISO operating expenses increased $2.6 million. Management estimates other usage declines associated with the weak economy to have decreased margin approximately $1.4 million for residential and commercial customers and $2.0 million for industrial customers.

Margin from Wholesale Activities
Periodically, generation capacity is in excess of native load. The Company markets and sells this unutilized generating and transmission capacity to optimize the return on its owned assets. A majority of the margin generated from these activities is associated with wholesale off-system sales, and substantially all off-system sales occur into the MISO Day Ahead and Real Time markets.

Further detail of Wholesale activity follows:

	Three months ended March 31,			
(In millions)	2009		2008	
Off-system sales	$	2.7	$	7.2
Transmission system sales		3.0		0.9
Total wholesale power marketing	$	5.7	$	8.1

For the quarter ended March 31, 2009, total wholesale margins were $5.7 million, representing a decrease of $2.4 million, compared to 2008.

During 2009, margin from off-system sales retained by the Company decreased $4.5 million compared to 2008. The Company experienced lower wholesale power marketing margins due to lower wholesale prices, coupled with increasing coal costs. Off-system sales totaled 341.6 GWh in 2009, compared to 463.4 GWh in 2008. The base rate case effective August 17, 2007, requires that wholesale margin from off-system sales earned above or below $10.5 million be shared equally with customers as measured on a fiscal year ending in August, and results reflect the impact of that sharing.

Beginning in June 2008, the Company began earning a return on electric transmission projects constructed by the Company in its service territory that benefit reliability throughout the region. Margin associated with these projects totaled $2.1 million in 2009.

Utility Group Operating Expenses

Other Operating Expenses
For the three months ended March 31, 2009, other operating expenses were $79.3 million, an increase of $5.3 million, compared to 2008. Substantially all of the increase results from increased costs directly recovered through utility margin. Examples of such tracked costs include Ohio bad debts, Indiana gas pipeline integrity management costs, costs to fund Indiana energy efficiency programs, and MISO transmission revenues and costs, among others. Other operating costs were generally flat.

Depreciation & Amortization
Depreciation expense was $43.9 million for the quarter, an increase of $3.2 million compared to 2008. Plant additions include the approximate $100 million SO2 scrubber placed into service January 1, 2009 for which depreciation totaling $1.1 million is directly recovered in electric utility margin.

Taxes Other Than Income Taxes
Taxes other than income taxes were $22.8 million for the quarter, a decrease of $3.4 million compared to the prior year quarter. The decrease is attributable to lower utility receipts, excise, and usage taxes caused principally by lower gas prices and is tracked in revenues.

Other Income-Net

Other-net reflects income of $1.5 million for the quarter, a decrease of $0.5 million compared to the prior year quarter. The decrease is primarily attributable to lower capitalization of funds used during construction as a result of lower borrowing costs.

Interest Expense

Interest expense was $18.7 million for the quarter, a decrease of $2.1 million compared to the prior year quarter. The decrease reflects lower short-term interest rates and lower average short-term debt balances.

Income Taxes

In 2009, federal and state income taxes were $31.8 million for the quarter, a decrease of $3.9 million compared to the prior year quarter. The lower taxes are primarily due to lower pretax income.

Environmental Matters

Clean Air Act

The Clean Air Interstate Rule (CAIR) is an allowance cap and trade program requiring further reductions from coal-burning power plants in NOx emissions beginning January 1, 2009 and SO2 emissions beginning January 1, 2010, with a second phase of reductions in 2015. On July 11, 2008, the US Court of Appeals for the District of Columbia vacated the federal CAIR regulations. Various parties filed motions for reconsideration, and on December 23, 2008, the Court reinstated the CAIR regulations and remanded the regulations back to the USEPA for promulgation of revisions in accordance with the Court's July 11, 2008 Order. Thus, the original version of CAIR promulgated in March of 2005 remains effective while USEPA revises it per the Court's guidance. It is possible that a revised CAIR will require further reductions in NOx and SO2 from SIGECO's generating units. SIGECO is in compliance with the current CAIR Phase I annual NOx reduction requirements in effect on January 1, 2009. Utilization of the Company's inventory of NOx and SO2 allowances may also be impacted if CAIR is further revised; however, most of the these allowances were granted to the Company at zero cost, so a reduction in carrying value is not expected.

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Similarly, in March of 2005, USEPA promulgated the Clean Air Mercury Rule (CAMR). CAMR is an allowance cap and trade program requiring further reductions in mercury emissions from coal-burning power plants. The CAMR regulations were vacated by the US Court of Appeals for the DC Circuit in July 2008. It is possible that the vacatur of the CAMR regulations will lead to increased support for the passage of a multi-pollutant bill in Congress. It is also possible that the USEPA will promulgate a revised mercury regulation in 2009.

To comply with Indiana's implementation plan of the Clean Air Act of 1990, the CAIR regulations, and to comply with potential future regulations of mercury and further NOx and SO2 reductions, SIGECO has IURC authority to invest in clean coal technology. Using this authorization, SIGECO has invested approximately $307 million in pollution control equipment, including Selective Catalytic Reduction (SCR) systems and fabric filters. SCR technology is the most effective method of reducing NOx emissions where high removal efficiencies are required and fabric filters control particulate matter emissions. These investments were included in rate base for purposes of determining new base rates that went into effect on August 15, 2007. Prior to being included in base rates, return on investments made and recovery of related operating expenses were recovered through a rider mechanism.

Further, the IURC granted SIGECO authority to invest in an SO2 scrubber at its generating facility that is jointly owned with ALCOA (the Company's portion is 150 MW). The order allows SIGECO to recover an approximate 8 percent return on capital investments through a rider mechanism which is periodically updated for actual costs incurred less post in-service depreciation expense. Through March 31, 2009, the Company has invested approximately $100 million in this project. The scrubber was placed into service on January 1, 2009. Recovery through a rider mechanism of associated operating expenses including depreciation expense associated with the scrubber also began on January 1, 2009. With the SO2 scrubber fully operational, SIGECO is positioned for compliance with the additional SO2 reductions required by Phase I CAIR commencing on January 1, 2010.

SIGECO's coal fired generating fleet is 100 percent scrubbed for SO2 and 90 percent controlled for NOx. SIGECO's investments in scrubber, SCR and fabric filter technology allows for compliance with existing regulations and should position it to comply with future reasonable pollution control legislation, if and when, reductions in mercury and further reductions in NOx and SO2 are promulgated by USEPA.

Climate Change

Vectren is committed to responsible environmental stewardship and conservation efforts as demonstrated by its proactive approach to balancing environmental and customer needs. While scientific uncertainties exist and the debate surrounding global climate change is ongoing, the growing understanding of the science of climate change would suggest a strong potential for adverse economic and social consequences should world-wide carbon dioxide (CO2) and other greenhouse gas emissions continue at present levels.

The need to reduce CO2 and other greenhouse gas emissions, yet provide affordable energy requires thoughtful balance. For these reasons, Vectren supports a national climate change policy with the following elements:

- An inclusive scope that involves all sectors of the economy and sources of greenhouse gases, and recognizes early actions and investments made to mitigate greenhouse gas emissions;
- Provisions for enhanced use of renewable energy sources as a supplement to base load coal generation including effective energy conservation, demand side management and generation efficiency measures;
- A flexible market-based cap and trade approach with zero cost allowance allocations to coal-fired electric generators. The approach should have a properly designed economic safety valve in order to reduce or eliminate extreme price spikes and potential price volatility. A long lead time must be included to align nearer-term technology capabilities and expanded generation efficiency and other enhanced renewable strategies, ensuring that generation sources will rely less on natural gas to meet short term carbon reduction requirements. This new regime should allow for adequate resource and generation planning and remove existing impediments to efficiency enhancements posed by the current New Source Review provisions of the Clean Air Act;

- Inclusion of incentives for investment in advanced clean coal technology and support for research and development; and
- A strategy supporting alternative energy technologies and biofuels and increasing the domestic supply of natural gas to reduce dependence on foreign oil and imported natural gas.

Current Initiatives to Increase Conservation and Reduce Emissions

The Company is committed to its policy on climate change and conservation. Evidence of this commitment includes:

- Focusing the Company's mission statement and purpose on corporate sustainability and the need to help customers conserve and manage energy costs;
- Recently executing long-term contracts to purchase 80MW of wind energy generated by wind farms in Benton County, Indiana;
- Evaluating other renewable energy projects to complement base load coal fired generation in advance of mandated renewable energy portfolio standards;
  - Implementing conservation initiatives in the Company's Indiana and Ohio gas utility service territories;
- Participation in an electric conservation and demand side management collaborative with the OUCC and other customer advocate groups;
- Evaluating potential carbon requirements with regard to new generation, other fuel supply sources, and future environmental compliance plans;
- Reducing the Company's carbon footprint by measures such as purchasing hybrid vehicles, and optimizing generation efficiencies;
- Developing renewable energy and energy efficiency performance contracting projects through its wholly owned subsidiary, Energy Systems Group.

Legislative Actions and Other Climate Change Initiatives

There are currently several forms of legislation being circulated at the federal level addressing the climate change issue. These proposals generally involve either: 1) a "cap and trade" approach where there is a progressive cap on greenhouse gas emissions and an auctioning and subsequent trading of allowances among those that emit greenhouse gases or 2) a carbon tax. Most proposed legislation also includes a federal renewable energy portfolio standard. Currently no legislation has passed either house of Congress. However, The U.S. House of Representatives is currently debating a comprehensive energy bill proposal that includes a carbon cap and trade program, a federal renewable portfolio standard, and utility energy efficiency targets.

In the absence of federal legislation, several regional initiatives throughout the United States are in the process of establishing regional cap and trade programs. While no climate change legislation is pending in the State of Indiana, the State is an observer of the Midwestern Regional Greenhouse Gas Reduction Accord, and in the recently completed 2009 session, its legislature debated, but did not pass, a renewable energy portfolio standard.

In April of 2007, the US Supreme Court determined that greenhouse gases meet the definition of "air pollutant" under the Clean Air Act and ordered the USEPA to determine whether greenhouse gas emissions from new motor vehicles cause or contribute to air pollution that may reasonably be anticipated to endanger public health or welfare. In April of 2009, the USEPA published its proposed endangerment finding for public comment. The proposed endangerment finding concludes that carbon emissions from mobile sources pose an endangerment to public health and the environment. Upon finalization, the endangerment finding is the first step toward USEPA regulating carbon emissions through the existing Clean Air Act in the absence of specific carbon legislation from Congress. Therefore, any new regulations would likely also impact major stationary sources of greenhouse gases. The USEPA has also proposed a significant new mandatory greenhouse gas emissions registry.

Impact of Legislative Actions and Other Initiatives is Unknown

If legislation requiring reductions in CO2 and other greenhouse gases or legislation mandating a renewable energy portfolio standard is adopted, such regulation could substantially affect both the costs and operating characteristics of the Company's fossil fuel generating plants, nonutility coal mining operations, and possibly natural gas distribution businesses. Further, any legislation would likely impact the Company's generation resource planning decisions. At this time and in the absence of final legislation, compliance costs and other effects associated with reductions in greenhouse gas emissions or obtaining renewable energy sources remain uncertain. The Company has gathered preliminary estimates of the costs to comply with a cap and trade approach to controlling greenhouse gas emissions. A preliminary investigation demonstrated costs to comply would be significant, first to operating expenses for the purchase of allowances and energy efficiency targets, and later to capital expenditures as technology becomes available to control greenhouse gas emissions. However, these compliance cost estimates are very sensitive to highly uncertain assumptions, including allowance prices. Costs to purchase allowances that cap greenhouse gas emissions should be considered a cost of providing electricity, and as such, the Company believes recovery should be timely reflected in rates charged to customers. Approximately 22 percent of electric volumes sold in 2008 were delivered to municipal and other wholesale customers. As such, the Company has some flexibility to modify the level of these transactions to reduce overall emissions and reduce costs associated with complying with new environmental regulations.

Environmental Remediation Efforts

In the past, Indiana Gas, SIGECO, and others operated facilities for the manufacture of gas. Given the availability of natural gas transported by pipelines, these facilities have not been operated for many years. Under currently applicable environmental laws and regulations, those that owned or operated these facilities may now be required to take remedial action if certain contaminants are found above the regulatory thresholds at these sites.

Indiana Gas identified the existence, location, and certain general characteristics of 26 gas manufacturing and storage sites for which it may have some remedial responsibility. Indiana Gas completed a remedial investigation/feasibility study (RI/FS) at one of the sites under an agreed order between Indiana Gas and the IDEM, and a Record of Decision was issued by the IDEM in January 2000. Indiana Gas submitted the remainder of the sites to the IDEM's Voluntary Remediation Program (VRP) and is currently conducting some level of remedial activities, including groundwater monitoring at certain sites, where deemed appropriate, and will continue remedial activities at the sites as appropriate and necessary.

Indiana Gas accrued the estimated costs for further investigation, remediation, groundwater monitoring, and related costs for the sites. While the total costs that may be incurred in connection with addressing these sites cannot be determined at this time, Indiana Gas has recorded cumulative costs that it reasonably expects to incur totaling approximately $22.2 million. The estimated accrued costs are limited to Indiana Gas' share of the remediation efforts. Indiana Gas has arrangements in place for 19 of the 26 sites with other potentially responsible parties (PRP), which limit Indiana Gas' costs at these 19 sites to between 20 percent and 50 percent.

With respect to insurance coverage, Indiana Gas has received and recorded settlements from all known insurance carriers under insurance policies in effect when these plants were in operation in an aggregate amount approximating $20.5 million.

In October 2002, SIGECO received a formal information request letter from the IDEM regarding five manufactured gas plants that it owned and/or operated and were not enrolled in the IDEM's VRP. In October 2003, SIGECO filed applications to enter four of the manufactured gas plant sites in IDEM's VRP. The remaining site is currently being addressed in the VRP by another Indiana utility. SIGECO added those four sites into the renewal of the global Voluntary Remediation Agreement that Indiana Gas has in place with IDEM for its manufactured gas plant sites. That

renewal was approved by the IDEM in February 2004. SIGECO is also named in a lawsuit filed in federal district court in May 2007, involving another site subject to potential environmental remediation efforts.

SIGECO has filed a declaratory judgment action against its insurance carriers seeking a judgment finding its carriers liable under the policies for coverage of further investigation and any necessary remediation costs that SIGECO may accrue under the VRP program and/or related to the site subject to the May 2007 lawsuit. While the total costs that may be incurred in connection with addressing these sites cannot be determined at this time, SIGECO has recorded cumulative costs that it reasonably expects to incur totaling approximately $9.2 million. With respect to insurance coverage, SIGECO has received and recorded settlements from insurance carriers under insurance policies in effect when these sites were in operation in an aggregate amount of $8.1 million.

Environmental remediation costs related to Indiana Gas' and SIGECO's manufactured gas plants and other sites have had a minor impact on results of operations or financial condition since cumulative costs recorded to date approximate PRP and insurance settlement recoveries. Such cumulative costs are estimated by management using assumptions based on actual costs incurred, the timing of expected future payments, and inflation factors, among others. While the Company's utilities have recorded all costs which they presently expect to incur in connection with activities at these sites, it is possible that future events may require some level of additional remedial activities which are not presently foreseen and those costs may not be subject to PRP or insurance recovery. As of March 31, 2009 and December 31, 2008, approximately $6.0 million and $6.5 million, respectively, of accrued, but not yet spent, remediation costs are included in Other Liabilities related to both the Indiana Gas and SIGECO sites.

Rate and Regulatory Matters

Vectren Energy Delivery of Ohio, Inc. (VEDO) Gas Base Rate Order Received

On January 7, 2009, the PUCO issued an order approving the stipulation reached in the VEDO rate case. The order provides for a rate increase of nearly $14.8 million, an overall rate of return of 8.89 percent on rate base of about $235 million; an opportunity to recover costs of a program to accelerate replacement of cast iron and bare steel pipes, as well as certain service risers; and base rate recovery of an additional $2.9 million in conservation program spending.

The order also adjusted the rate design used to collect the agreed-upon revenue from VEDO's customers. The order allows for the phased movement toward a straight fixed variable rate design which places substantially all of the fixed cost recovery in the customer service charge. A straight fixed variable design mitigates most weather risk as well as the effects of declining usage, similar to the Company's lost margin recovery mechanism, which expired when this new rate design went into effect on February 22, 2009. In 2008, annual results include approximately $4.3 million of revenue from a lost margin recovery mechanism that does continue once this base rate increase is in effect. After year one, nearly 90 percent of the combined residential and commercial base rate margins will be recovered through the customer service charge. The OCC has filed a request for rehearing on the rate design finding by the PUCO. The rehearing request mirrors similar requests filed by the OCC in each case where the PUCO has approved similar rate designs, and all such requests have been denied.

With this rate order the Company has in place for its Ohio gas territory rates that allow for the phased implementation of a straight fixed variable rate design that mitigates both weather risk and lost margin; tracking of bad debt and percent of income payment plan (PIPP) expenses; base rate recovery of pipeline integrity management expense; timely recovery of costs associated with the accelerated replacement of bare steel and cast iron pipes, as well as certain service risers; and expanded conservation programs now totaling up to $5 million in annual expenditures.

MISO

Since February 2002 and with the IURC's approval, the Company has been a member of the Midwest Independent System Operator, Inc. (MISO), a FERC approved regional transmission organization. The MISO serves the electrical transmission needs of much of the Midwest and maintains operational control over the Company's electric transmission facilities as well as that of other Midwest utilities. Since April 1, 2005, the Company has been an active participant in the MISO energy markets, bidding its owned generation into the Day Ahead and Real Time markets and procuring power for its retail customers at Locational Marginal Pricing (LMP) as determined by the MISO market.

The Company is typically in a net sales position with MISO as generation capacity is in excess of that needed to serve native load and is only occasionally in a net purchase position. When the Company is a net seller such net revenues are included in Electric Utility revenues and when the Company is a net purchaser such net purchases are included in Cost of fuel and purchased power. Net positions are determined on an hourly basis. Since the Company became an active MISO member, its generation optimization strategies primarily involve the sale of excess generation into the MISO day ahead and real-time markets. Net revenues from wholesale activities included in Electric Utility revenues

totaled $12.9 million and $21.4 million in the three months ended March 31, 2009 and 2008, respectively.

The Company also receives transmission revenue that results from other members' use of the Company's transmission system. These revenues are also included in Electric Utility revenues. Generally, these transmission revenues along with costs charged by the MISO are considered components of base rates and any variance from that included in base rates is recovered/refunded through tracking mechanisms.

As a result of MISO's operational control over much of the Midwestern electric transmission grid, including SIGECO's transmission facilities, SIGECO's continued ability to import power, when necessary, and export power to the wholesale market has been, and may continue to be, impacted. Given the nature of MISO's policies regarding use of transmission facilities, as well as ongoing FERC initiatives, and a Day 3 ancillary services market (ASM), where MISO began providing a bid-based regulation and contingency operating reserve markets on January 6, 2009, it is difficult to predict near term operational impacts. The IURC has approved the Company's participation in the ASM and has granted authority to defer costs associated with ASM. To date impacts from the ASM have been minor.

The need to expend capital for improvements to the regional transmission system, both to SIGECO's facilities as well as to those facilities of adjacent utilities, over the next several years is expected to be significant. Beginning in June 2008, the Company began timely recovering its investment in certain new electric transmission projects that benefit the MISO infrastructure at a FERC approved rate of return. Such revenues recorded in Electric Utility revenues associated with projects meeting the criteria of MISO's transmission expansion plans totaled $2.1 million for the three months March 31, 2009.

One such project currently under construction is an interstate 345 kilovolt transmission line that will connect Vectren's A B Brown Station to a station in Indiana owned by Duke Energy to the north and to a station in Kentucky owned by Big Rivers Electric Corporation to the south. Throughout the project, SIGECO is to recover an approximate 10 percent return, inclusive of the FERC approved equity rate of return of 12.38 percent, on capital investments through a rider mechanism which is updated annually for estimated costs to be incurred. Of the total investment, which is expected to approximate $70 million, as of March 31, 2009, the Company has invested approximately $4.6 million. The Company expects this project to be operational in 2011. At that time, any operating expenses including depreciation expense are also expected to be recovered through a FERC approved rider mechanism. Further, the approval allows for recovery of expenditures made even in the event currently unforeseen difficulties delay or permanently halt the project.

Vectren South Electric Lost Margin Recovery Filing

In 2008, the Company made an initial filing with the IURC requesting a multi-year program to promote energy conservation and expanded demand side management programs within its Vectren South electric utility. As proposed, costs associated with these programs would be recovered through a tracking mechanism. The implementation of these programs is designed to work in tandem with a lost margin recovery mechanism. This mechanism, as proposed, allows recovery of a portion of rates from residential and commercial customers based on the level of customer revenues established in Vectren South's last electric general rate case. This program is similar to programs authorized by the IURC in the Company's Indiana natural gas service territories. In April of 2009, all filings were completed, and the Company would expect an IURC decision to occur during 2009.

Results of Operations of the Nonutility Group

The Nonutility Group operates in three primary business areas: Energy Marketing and Services, Coal Mining, and Energy Infrastructure Services. Energy Marketing and Services markets and supplies natural gas and provides energy management services. Coal Mining mines and sells coal. Energy Infrastructure Services provides underground construction and repair and provides performance contracting and renewable energy services. There are also other legacy businesses that have invested in energy-related opportunities and services, real estate, and leveraged leases, among other investments. The Nonutility Group supports the Company's regulated utilities pursuant to service contracts by providing natural gas supply services, coal, and infrastructure services. Nonutility Group earnings for the three months ended March 31, 2009 and 2008, follow:

	Three Months Ended March 31,			
(In millions, except per share amounts)	2009		2008	
NET INCOME	$	16.5	$	6.3
CONTRIBUTION TO VECTREN BASIC EPS	$	0.20	$	0.08
NET INCOME ATTRIBUTED TO:				
Energy Marketing & Services	$	15.4	$	9.0
Mining Operations		2.8		(0.9)
Energy Infrastructure Services		(0.5)		(3.2)
Other Businesses		(1.2)		1.4

Energy Marketing and Services

Energy Marketing and Services is comprised of the Company's gas marketing operations, energy management services, and retail gas supply operations. Results, inclusive of holding company costs, from Energy Marketing and Services for the quarter ended March 31, 2009, were earnings of $15.4 million compared to $9.0 million in 2008.

ProLiance Energy, LLC (ProLiance)

ProLiance Energy, a nonutility energy marketing affiliate of Vectren and Citizens, provides services to a broad range of municipalities, utilities, industrial operations, schools, and healthcare institutions located throughout the Midwest and Southeast United States. ProLiance's customers include Vectren's Indiana utilities and nonutility gas supply operations and Citizens' utilities. ProLiance's primary businesses include gas marketing, gas portfolio optimization, and other portfolio and energy management services. Consistent with its ownership percentage, Vectren is allocated 61 percent of ProLiance's profits and losses; however, governance and voting rights remain at 50 percent for each member; and therefore, the Company accounts for its investment in ProLiance using the equity method of accounting. Vectren received regulatory approval on April 25, 2006, from the IURC for ProLiance to continue to provide natural gas supply services to the Company's Indiana utilities through March 2011.

For the three months ended March 31, 2009 and 2008, the amounts recorded to Equity in earnings of unconsolidated affiliates related to ProLiance totaled $13.3 million and $14.4 million, respectively. ProLiance's net earnings contribution, which consists of those earnings accounted for using the equity method, less allocated financing costs and related income taxes effects was $7.0 million compared to $7.8 million in 2008. The $0.8 million decrease in 2009 compared to 2008 reflects lower margin due to lower seasonal spreads locked in last year. Current year seasonal spreads have improved and will be realized in the fourth quarter of 2009 and the first quarter of 2010. ProLiance's storage capacity is 46 BCF compared to 42 BCF at December 31, 2008.

Regulatory Matter

ProLiance self reported to the Federal Energy Regulatory Commission (FERC) in October 2007 possible non-compliance with the FERC's capacity release policies. ProLiance has taken corrective actions to assure that current and future transactions are compliant. ProLiance is committed to full regulatory compliance and is cooperating fully with the FERC regarding these issues. ProLiance believes that it has adequately reserved for this matter. Although the outcome of any legal or regulatory proceedings resulting from these matters cannot be predicted, the final resolution of these matters is not expected to have a material impact on the Company's consolidated operating results, financial position or cash flows.

Investment in Liberty Gas Storage

Liberty Gas Storage, LLC (Liberty) is a joint venture between a subsidiary of ProLiance and a subsidiary of Sempra Energy (SE). ProLiance is the minority member with a 25 percent interest, which it accounts for using the equity method. Liberty, as currently permitted, is a 17 BCF salt dome facility in southern Louisiana, near Sulphur, Louisiana. Liberty also owns a second site near Hackberry, Louisiana with the potential to develop an additional 17 BCF of storage. ProLiance has a long term contract for approximately 5 Bcf of working gas capacity. The total project cost incurred at the Sulphur site through March 31, 2009 is approximately $200 million. ProLiance's portion of the cost incurred is approximately $50 million.

In late 2008, SE advised ProLiance that the completion of this phase of Liberty's development at the Sulphur site has been delayed by subsurface and well-completion problems. To date, corrective measures have been unsuccessful. Among other options, other corrective measures are being evaluated but it is possible that the salt-cavern facility may not go into service, or may have reduced capacity when placed in service. ProLiance estimates the maximum exposure to its investment in the Sulphur site is $35 million. The Company's proportionate share would be $12 million after tax. The Company believes that such a charge, should it occur, would not have a material adverse effect on either the Company's or ProLiance's financial position, cash flows, or liquidity, but it could be material to net income in any one accounting period. Further, it is not expected that the delay in Liberty's development will impact ProLiance's ability to meet the needs of its customers.

Vectren Source

Vectren Retail, LLC (d/b/a Vectren Source), a wholly owned subsidiary, provides natural gas and other related products and services to customers opting for choice among energy providers. Vectren Source earned approximately $8.6 million in the first quarter of 2009, compared to $2.0 million in 2008, an increase of approximately $6.6 million. Results were positively impacted by higher margins. These higher margins resulted primarily from favorable market conditions, over the course of the quarter as revenues on variable priced sales contracts fell more slowly than gas costs. Due to the seasonal nature of the retail gas supply business and due to prices charged to customers more fully reflecting the current lower gas prices, such higher earnings are not expected to continue for the remainder of 2009. Vectren Source's customer count at March 31, 2009 was approximately 171,000 customers, compared to 157,000 customers at March 31, 2008.

Coal Mining Operations

Coal Mining mines and sells coal to the Company's utility operations and to third parties through its wholly owned subsidiary Vectren Fuels, Inc. (Fuels). Coal Mining, inclusive of holding company costs, earned approximately $2.8 million in the first quarter of 2009, compared to a loss of $0.9 million in 2008. Coal Mining earnings have increased as expected as contracts reflecting the higher Illinois Basin coal market prices beginning January 1st. Contracts reflecting higher market prices are in place on approximately 70 percent of 2009. The impact of higher revenues have been somewhat offset by increased costs per ton mined. This anticipated increase in costs incurred during the first quarter is reflective of efforts to reconfigure the mining operation at Prosperity mine in order to improve future productivity. Based on the expected improved productivity and increasing volumes to be sold, Coal Mining earnings are expected to grow throughout 2009.

Progress continues at the underground mines currently under construction near Vincennes, Indiana. Production is expected to begin in late in the second quarter of 2009, with the second mine opening in late 2010. Reserves at the two mines are estimated at 88 million tons of recoverable number-five coal at 11,200 BTU (British thermal units) and less than 6-pound sulfur dioxide. The reserves at these new mines bring total coal reserves to approximately 120 million tons at March 31, 2009. Once in production, the two new mines are expected to produce 5 million tons of coal per year. Of the total $170 million investment management estimates to access the reserves, the Company has invested $90 million in the new mines through March 31, 2009.

Energy Infrastructure Services

Energy Infrastructure Services provides underground construction and repair to utility infrastructure through Miller Pipeline Corporation (Miller) and energy performance contracting and renewable energy services through Energy Systems Group, LLC (ESG). Inclusive of holding company costs, Energy Infrastructure Services operated at a seasonal loss of $0.5 million during the quarter ended March 31, 2009, compared to a loss of $3.2 million in 2008.

Miller Pipeline

Miller's 2009 year to date loss was $0.4 million compared to a loss of $1.7 million in 2008. The smaller loss is due to favorable weather conditions which allowed for more efficient completion of winter projects and lower interest rates.

Energy Systems Group

ESG earned approximately $0.1 million year to date in 2009, compared to a loss of $1.1 million in 2008. Results in 2009 were further favorably impacted by Energy Efficient Commercial Building federal income tax deductions, associated with the installation of energy efficient equipment. Results also reflect higher margin percentages that include an early completion bonus. At March 31, 2009, ESG's backlog was $58 million, compared to $65 million at December 31, 2008 and $43 million at March 31, 2008. The national focus on a comprehensive energy strategy as evidenced by the Energy Independence and Security Act of 2007 and the American Recovery and Reinvestment Act of 2009 is likely to create favorable conditions for ESG's growth and resulting earnings.

Other Businesses

Other nonutility businesses, which include legacy real estate and other investments, operated at a loss of $1.2 million in the first quarter of 2009 compared to earnings of $1.4 million in 2008. The decrease in earnings is primarily due to favorable adjustments recorded in 2008 related to income tax true-ups.

Impact of Recently Issued Accounting Guidance

SFAS 157

On January 1, 2009, the Company adopted the provisions of SFAS No. 157, "Fair Value Measurements" (SFAS 157) as they relate to nonfinancial assets and nonfinancial liabilities that are measured at fair value on a nonrecurring basis, such as the initial measurement of an asset retirement obligation or the use of fair value goodwill, intangible assets and long-lived assets impairment tests. This adoption had no significant impact on the Company's operating results or financial condition.

SFAS 160

On January 1, 2009, the Company adopted SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements-an Amendment of ARB No. 51" (SFAS 160). SFAS 160 establishes accounting and reporting standards that require ownership percentages in material subsidiaries held by parties other than the parent be clearly identified, labeled, and presented separately from the parent's equity in the equity section of the consolidated balance sheet; the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated income statement; that changes in the parent's ownership interest while it retains control over its subsidiary be accounted for consistently; that when a subsidiary is deconsolidated, any retained noncontrolling equity investment be initially measured at fair value; and that sufficient disclosure is made to clearly identify and distinguish between the interests of the parent and the noncontrolling owners. Because of the diminimus level of entities that are controlled by the Company but are less than wholly-owned, the adoption of SFAS 160 had a minimal impact to the Company's presentation of its financial position and operating results.

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SFAS 161

On January 1, 2009, the Company adopted the qualitative and quantitative disclosures required in both interim and annual financial statements described in SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133" (SFAS 161). SFAS 161 describes enhanced disclosures under SFAS 133 and requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation in order to better convey the purpose of derivative use in terms of the risks that the entity is intending to manage. These disclosures are included in Note 12 to the consolidated condensed financial statements.

SFAS 141R

On January 1, 2009, the Company adopted SFAS No. 141, "Business Combinations" (SFAS 141R). SFAS 141R establishes principles and requirements for how the acquirer of an entity (1) recognizes and measures the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree (2) recognizes and measures acquired goodwill or a bargain purchase gain and (3) determines what information to disclose in its financial statements in order to enable users to assess the nature and financial effects of the business combination. SFAS 141R applies to all transactions or other events in which one entity acquires control of one or more businesses and applies to all business entities. Because the provisions of this standard are applied prospectively, the impact to the Company cannot be determined until the transactions occur.

FSP EITF 03-6-1

On January 1, 2009, the Company adopted FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" (FSP EITF 03-6-1). FSP EITF 03-6-1 clarified that unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature that impact the calculation of EPS are participating securities. The presence of a participating security requires EPS to be calculated using the two-class method.

Of the approximate 81 million shares outstanding as of March 31, 2009, unvested share-based payment awards that contain rights to nonforfeitable dividends comprise less than one percent. The Company recently prospectively changed share-based payment awards such that dividends on awards granted in 2009 and beyond are subject to forfeiture.

As a result of the insignificant level of participating securities subject to the two-class method of computing earnings per share, the adoption of FSP EITF 03-6-1 had immaterial impacts to both current and prior period earnings per share calculations.

EITF 08-05

On January 1, 2009, the Company adopted EITF Issue No. 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement" (EITF 08-5). EITF 08-5 states that companies should not include the effect of third-party credit enhancements in the fair value measurement of the related liabilities. EITF 08-5 also requires companies with outstanding liabilities measured or disclosed at fair value to disclose the existence of credit enhancements, to disclose valuation techniques used to measure liabilities and to include a discussion of changes, if any, from the valuation techniques used to measure liabilities in prior periods.

As of March 31, 2009, the Company has approximately $251.1 million of debt instruments that are supported by a third party credit enhancement feature such as insurance from a monoline insurer or a letter of credit posted by third party that supports the Company's credit facilities. It is not anticipated, the Company's valuation techniques will

change materially at a result of the adoption of EITF 08-5.

FASB Staff Position (FSP) 142-3

In April 2008, the FASB issued FSP No. 142-3, Determination of the Useful Life of Intangible Assets. FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. The Company adopted FSP No. 142-3 as of January 1, 2009 and such adoption did not have a material impact on the consolidated financial statements.

FASB Staff Positions on Fair Value Accounting and Disclosure

In April 2009 the FASB released FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" (FSP 107-1) to require an entity to disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by FASB Statement No. 107. FSP 107-1 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. FSP 107-1 does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, FSP 107-1 requires comparative disclosures only for periods ending after initial adoption.

An entity may early adopt FSP 107-1 only if it also elects to early adopt FSP FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly which provides additional guidance for estimating fair value in accordance with FASB Statement No. 157 when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly and FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" which impacts the impairment testing of debt securities held for investment purposes and the presentation and disclosure requirements for debt and equity securities described in FASB Statement 115.

The Company will adopt these FSP's for its 2009 second quarter reporting. It is not expected the impact of adoption will be material to its cash flows, operations, or financial condition, but will impact interim period fair value disclosures.

FSP No. FAS 132(R)-1

In December 2008, the FASB issued FSP No. FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" (FSP 132(R)-1). FSP 132(R)-1 amends the plan asset disclosures required under FAS Statement No. 132(R) to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. Guidance provided by this FSP relates to disclosures about investment policies and strategies, categories of plan assets, fair value measurements of plan assets, and significant concentrations of risk. FSP FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009. The Company will include FSP FAS 132(R)-1's disclosure requirements in its 2009 annual financial statements.

Financial Condition

Within Vectren's consolidated group, Utility Holdings funds the short-term and long-term financing needs of the Utility Group operations, and Vectren Capital Corp (Vectren Capital) funds short-term and long-term financing needs of the Nonutility Group and corporate operations. Vectren Corporation guarantees Vectren Capital's debt, but does not guarantee Utility Holdings' debt. Vectren Capital's long-term and short-term obligations outstanding at March 31, 2009 approximated $333 million and $81 million, respectively. Utility Holdings' outstanding long-term and short-term borrowing arrangements are jointly and severally guaranteed by Indiana Gas, SIGECO, and VEDO. Utility Holdings' long-term and short-term obligations outstanding at March 31, 2009 approximated $823 million and $33 million, respectively. Additionally, prior to Utility Holdings' formation, Indiana Gas and SIGECO funded their operations separately, and therefore, have long-term debt outstanding funded solely by their operations.

The Company's common stock dividends are primarily funded by utility operations. Nonutility operations have demonstrated profitability and the ability to generate cash flows. These cash flows are primarily reinvested in other nonutility ventures, but are also used to fund a portion of the Company's dividends, and from time to time may be reinvested in utility operations or used for corporate expenses.

The credit ratings of the senior unsecured debt of Utility Holdings and Indiana Gas, at March 31, 2009, are A-/Baa1 as rated by Standard and Poor's Ratings Services (Standard and Poor's) and Moody's Investors Service (Moody's), respectively. The credit ratings on SIGECO's secured debt are A/A3. Utility Holdings' commercial paper has a credit rating of A-2/P-2. The current outlook of both Moody's and Standard and Poor's is stable. These ratings and outlooks have not changed since December 31, 2008. A security rating is not a recommendation to buy, sell, or hold securities. The rating is subject to revision or withdrawal at any time, and each rating should be evaluated independently of any other rating. Standard and Poor's and Moody's lowest level investment grade rating is BBB- and Baa3, respectively.

The Company's consolidated equity capitalization objective is 45-55 percent of long-term capitalization. This objective may have varied, and will vary, depending on particular business opportunities, capital spending requirements, execution of long-term financing plans and seasonal factors that affect the Company's operations. The Company's equity component was 48 percent and 50 percent of long-term capitalization at March 31, 2009 and December 31, 2008, respectively. Long-term capitalization includes long-term debt, including current maturities and debt subject to tender, as well as common shareholders' equity.

As of March 31, 2009, the Company was in compliance with all financial covenants.

Available Liquidity in Current Credit Conditions

The Company's A-/Baa1 investment grade credit ratings have allowed it to access the capital markets as needed during this period of credit market volatility. Over the last twelve months, the Company has restored its short-term borrowing capacity with the completion of several long-term financing transactions including the issuance of long-term debt in both 2008 and 2009 and the settlement of an equity forward contract in 2008. The liquidity provided by these transactions, when coupled with existing cash and expected internally generated funds, is expected to be sufficient over the near term to fund anticipated capital expenditures, investments, and debt security redemptions.

Regarding debt redemptions, they are insignificant for the remainder of 2009 and total $48 million in 2010. In addition, holders of certain debt instruments have the one-time option to put $80 million of debt to the Company during the remainder of 2009 and $10 million in 2010.

Long-term debt transactions completed in 2009 include a $150 million issuance by Vectren Capital and a $100 million issuance by Vectren Utility Holdings. SIGECO also recently remarketed $41.3 million of long-term debt. These transactions are more fully described below.

Consolidated Short-Term Borrowing Arrangements

At March 31, 2009, the Company had $905 million of short-term borrowing capacity, including $520 million for the Utility Group and $385 million for the wholly owned Nonutility Group and corporate operations. As reduced by outstanding letters of credit, approximately $445 million was available for the Utility Group operations and approximately $301 million was available for the wholly owned Nonutility Group and corporate operations. Of the $520 million in Utility Group capacity, $515 million is available through November, 2010; and of the $385 million in Nonutility capacity, $120 million is available through September, 2009 and $255 million is available through November, 2010.

Historically, the Company has funded the short-term borrowing needs of Utility Holdings' operations through the commercial paper market. In 2008, the Company's access to longer term commercial paper was significantly reduced as a result of the continued turmoil and volatility in the financial markets. As a result, the Company met working capital requirements through a combination of A2/P2 commercial paper issuances and draws on Utility Holdings' $515 million commercial paper back-up credit facilities. In addition, the Company increased its cash investments by

approximately $75 million during the fourth quarter of 2008. These cash positions were liquidated in January 2009 based upon improvements in the short-term debt and commercial paper markets. Their liquidation resulted in an increase to the available short-term debt capacity for the Utility Group by $40 million and for the Nonutility Group by $35 million.

Post March 31, 2009 Utility Holdings Debt Issuance

On April 7, 2009, Utility Holdings entered into a private placement Note Purchase Agreement pursuant to which institutional investors purchased from Utility Holdings $100 million in 6.28 percent senior unsecured notes due April 7, 2020 (2020 Notes). The 2020 Notes are guaranteed by Utility Holdings' three utilities: SIGECO, Indiana Gas, and VEDO. These guarantees are full and unconditional and joint and several. The proceeds from the sale of the 2020 Notes and net of issuance costs totaled approximately $99.3 million.

The 2020 Notes have no sinking fund requirements, and interest payments are due semi-annually. The 2020 Notes contain customary representations, warranties and covenants, including a leverage covenant consistent with leverage restrictions contained in the Utility Holdings' $515 million short-term credit facility.

As this issuance occurred after March 31, 2009, its impact of increasing available short-term capacity and increasing cash on hand is not reflected in the consolidated balance sheet at March 31, 2009.

ProLiance Short-Term Borrowing Arrangements

ProLiance, a nonutility energy marketing affiliate of Vectren and Citizens, has separate borrowing capacity available through a syndicated credit facility. The terms of the facility allow for $300 million of capacity from April 1 through September 30, and $400 million during the October 1 through March 31 heating season, as adjusted for letters of credit and current inventory and receivable balances. This unutilized capacity, when coupled with internally generated funds, is expected to provide sufficient liquidity to meet ProLiance's operational needs. The facility expires June 2009, at which time, ProLiance anticipates having a new credit facility in place to support its future working capital requirements. Future working capital requirements may be less than the level of the current credit line given the recent decline in natural gas prices. As of March 31, 2009 no amounts were outstanding. The current facility is not guaranteed by Vectren or Citizens.

New Share Issues

The Company may periodically issue new common shares to satisfy the dividend reinvestment plan, stock option plan and other employee benefit plan requirements. New issuances added additional liquidity of $1.5 million in the first quarter of 2009. Throughout 2009, new issuances required to meet these various plan requirements are estimated to be approximately $6 million.

Potential Uses of Liquidity

Planned Capital Expenditures & Investments

Utility capital expenditures are estimated at $160 to $180 million for the remainder of 2009. Nonutility capital expenditures and investments, principally for coal mine development, are estimated at $75 million for the remainder of 2009.

Pension and Postretirement Funding Obligations

Due to the recent significant asset value declines experienced by pension plan trusts, asset values for qualified plans as of December 31, 2008 were approximately 61 percent of the projected benefit obligation. In order to increase the funded status, management currently estimates the qualified pension plans require Company contributions of $25 to $30 million in 2009. Under current market conditions, the Company expects funding a lesser level in 2010. Through March 31, 2009, approximately $4.6 million in contributions were made.

Other Guarantees and Letters of Credit

In the normal course of business, Vectren Corporation issues guarantees supporting the performance of its consolidated subsidiaries as well as its unconsolidated affiliates. Such guarantees which contain varying terms generally allow those subsidiaries and affiliates to execute transactions on more favorable terms than the subsidiaries and affiliates could obtain without such a guarantee. Guarantees may include posted letters of credit, leasing guarantees, and contract performance guarantees.

Related specifically to guarantees supporting the performance and activities of unconsolidated affiliates, as of March 31, 2009, such guarantees approximated $3 million. These guarantees relate primarily to arrangements between ProLiance and various natural gas pipeline operators. The Company has accrued no liabilities for these unconsolidated affiliate guarantees as they were executed prior to the adoption of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."

Credit Contingent Features

Master agreements in place with certain counterparties contain provisions involving the Company's credit ratings. If ratings were to fall below investment grade, counterparties to these arrangements could request immediate payment or demand immediate and ongoing full overnight collateralization on net liability positions. Currently, contracts to purchase natural gas by the Company's nonutility retail gas marketer to fulfill its retail sales are the only significant derivative-like instruments impacted by credit contingent features. Such contracts are subject to the NPNS exclusion. Generally, the natural gas supply period supported by these arrangements is 60 days, but in some instances, may include forecasted purchases up to 12 months in advance. If the credit-risk-related contingent features underlying these agreements were triggered, the Company would be required to post approximately $5 million of additional collateral at March 31, 2009.

Comparison of Historical Sources & Uses of Liquidity

Operating Cash Flow

The Company's primary source of liquidity to fund working capital requirements has been cash generated from operations, which totaled $284.5 million in 2009, compared to $288.4 million in 2008, a decrease of $3.9 million. The decrease was primarily due to changes in working capital. This unfavorable change in working capital principally results from changes in the timing of natural gas inventory sales and purchases due to exiting the merchant function in the Ohio service territory in October of 2008. The decrease was partially offset by higher earnings and other changes.

Financing Cash Flow

Although working capital requirements are generally funded by cash flow from operations, the Company uses short-term borrowings to supplement working capital needs when accounts receivable balances are at their highest and gas storage is refilled. Additionally, short-term borrowings are required for capital projects and investments until they are financed on a long-term basis.

Net cash flow required for financing activities was $240.9 million in 2009. The increased cash required for financing activities during 2009 compared to 2008 is reflective of the impact of completed long-term financing transactions and liquidation of $75 million of cash positions on hand at the end of 2008.

SIGECO 2009 Debt Issuance

On March 26, 2009, SIGECO remarketed the remaining $41.3 million of long-term debt held in treasury at December 31, 2008, receiving proceeds, net of issuance costs of approximately $40.6 million. The remarketed notes have a variable rate interest rate which is reset weekly and are supported by a standby letter of credit backed by Utility Holdings' $515 million short-term credit facility. The notes are collateralized by SIGECO's utility plant, and $9.8 million are due in 2015 and $31.5 million are due in 2025. The initial interest rate paid to investors was 0.55 percent. The equivalent rate of the debt at inception, inclusive of interest, weekly remarketing fees, and letter of credit fees approximated 1 percent.

Vectren Capital Corp. 2009 Debt Issuance

On March 11, 2009, Vectren and Vectren Capital Corp., its wholly-owned subsidiary (Vectren Capital), entered into a private placement Note Purchase Agreement (the "2009 Note Purchase Agreement") pursuant to which various institutional investors purchased the following tranches of notes from Vectren Capital: (i) $30 million in 6.37 percent senior notes, Series A due 2014, (ii) $60 million in 6.92 percent senior notes, Series B due 2016 and (iii) $60 million in 7.30 percent senior notes, Series C due 2019. These senior notes are unconditionally guaranteed by Vectren, the parent of Vectren Capital. These notes have no sinking fund requirements, and interest payments are due semi-annually. The proceeds from the sale of the notes and net of issuance costs totaled approximately $149.0 million.

The 2009 Note Purchase Agreement contains customary representations, warranties and covenants, including a leverage covenant consistent with leverage covenants contained in the Vectren Capital $255 million short-term credit facility.

On March 11, 2009, Vectren and Vectren Capital also entered into a first amendment with respect to prior note purchase agreements for the remaining outstanding Vectren Capital debt, other than the $22.5 million series due in 2010, to conform the covenants in certain respects to those contained in the 2009 Note Purchase Agreement.

Investing Cash Flow

Cash flow required for investing activities was $117.4 million in 2009 and $75.5 million in 2008. Capital expenditures are the primary component of investing activities and totaled $117.4 million in 2009, compared to $69.6 million in 2008. The increase in capital expenditures reflects increased expenditures for coal mine development and also was impacted by the January 2009 ice storm that resulted in approximately $20 million in capital expenditures.

Forward-Looking Information

A "safe harbor" for forward-looking statements is provided by the Private Securities Litigation Reform Act of 1995 (Reform Act of 1995). The Reform Act of 1995 was adopted to encourage such forward-looking statements without the threat of litigation, provided those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the statement. Certain matters described in Management's Discussion and Analysis of Results of Operations and Financial Condition are forward-looking statements. Such statements are based on management's beliefs, as well as assumptions made by and information currently available to management. When used in this filing, the words "believe", "anticipate", "endeavor", "estimate", "expect", "objective", "projection", "forecast", "goal", "likely", and expressions are intended to identify forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, factors that could cause the Company's actual results to differ materially from those contemplated in any forward-looking statements include, among others, the following:

- Factors affecting utility operations such as unusual weather conditions; catastrophic weather-related damage; unusual maintenance or repairs; unanticipated changes to fossil fuel costs; unanticipated changes to gas transportation and storage costs, or availability due to higher demand, shortages, transportation problems or other developments; environmental or pipeline incidents; transmission or distribution incidents; unanticipated changes to electric energy supply costs, or availability due to demand, shortages, transmission problems or other developments; or electric transmission or gas pipeline system constraints.
- Increased competition in the energy industry, including the effects of industry restructuring and unbundling.
- Regulatory factors such as unanticipated changes in rate-setting policies or procedures, recovery of investments and costs made under traditional regulation, and the frequency and timing of rate increases.
- Financial, regulatory or accounting principles or policies imposed by the Financial Accounting Standards Board; the Securities and Exchange Commission; the Federal Energy Regulatory Commission; state public utility commissions; state entities which regulate electric and natural gas transmission and distribution, natural gas gathering and processing, electric power supply; and similar entities with regulatory oversight.
- Economic conditions including the effects of an economic downturn, inflation rates, commodity prices, and monetary fluctuations.
- Economic conditions surrounding the current recession, which may be more prolonged and more severe than cyclical downturns, including significantly lower levels of economic activity; uncertainty regarding energy prices and the capital and commodity markets; decreases in demand for natural gas, electricity, coal, and other nonutility products and services; impacts on both gas and electric large customers; lower residential and commercial customer counts; higher operating expenses; and further reductions in the value of certain nonutility real estate and other legacy investments.

- Increased natural gas and coal commodity prices and the potential impact on customer consumption, uncollectible accounts expense, unaccounted for gas and interest expense.
- Changing market conditions and a variety of other factors associated with physical energy and financial trading activities including, but not limited to, price, basis, credit, liquidity, volatility, capacity, interest rate, and warranty risks.
- Direct or indirect effects on the Company's business, financial condition, liquidity and results of operations resulting from changes in credit ratings, changes in interest rates, and/or changes in market perceptions of the utility industry and other energy-related industries.
- The performance of projects undertaken by the Company's nonutility businesses and the success of efforts to invest in and develop new opportunities, including but not limited to, the Company's coal mining, gas marketing, and energy infrastructure strategies.
- Factors affecting coal mining operations including MSHA guidelines and interpretations of those guidelines; geologic, equipment, and operational risks; sales contract negotiations and interpretations; volatile coal market prices; supplier and contract miner performance; the availability of key equipment, contract miners and commodities; availability of transportation; and the ability to access/replace coal reserves.
    - Employee or contractor workforce factors including changes in key executives, collective bargaining agreements with union employees, aging workforce issues, work stoppages, or pandemic illness.
- Legal and regulatory delays and other obstacles associated with mergers, acquisitions and investments in joint ventures.
- Costs, fines, penalties and other effects of legal and administrative proceedings, settlements, investigations, claims, including, but not limited to, such matters involving compliance with state and federal laws and interpretations of these laws.
- Changes in or additions to federal, state or local legislative requirements, such as changes in or additions to tax laws or rates, environmental laws, including laws governing greenhouse gases, mandates of sources of renewable energy, and other regulations.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of changes in actual results, changes in assumptions, or other factors affecting such statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to various business risks associated with commodity prices, interest rates, and counter-party credit. These financial exposures are monitored and managed by the Company as an integral part of its overall risk management program. The Company's risk management program includes, among other things, the use of derivatives. The Company may also execute derivative contracts in the normal course of operations while buying and selling commodities to be used in operations and optimizing its generation assets.

The Company has in place a risk management committee that consists of senior management as well as financial and operational management. The committee is actively involved in identifying risks as well as reviewing and authorizing risk mitigation strategies.

These risks are not significantly different from the information set forth in Item 7A Quantitative and Qualitative Disclosures About Market Risk included in the Vectren 2008 Form 10-K and is therefore not presented herein.

ITEM 4. CONTROLS AND PROCEDURES

Changes in Internal Controls over Financial Reporting

During the quarter ended March 31, 2009, there have been no changes to the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of March 31, 2009, the Company conducted an evaluation under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer of the effectiveness and the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of March 31, 2009, to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is:

1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and
2) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is party to various legal proceedings arising in the normal course of business. In the opinion of management, there are no legal proceedings pending against the Company that are likely to have a material adverse effect on its financial position, results of operations, or cash flows. See the notes to the consolidated financial statements regarding commitments and contingencies, environmental matters, rate and regulatory matters.
The consolidated condensed financial statements are included in Part 1 Item 1.

ITEM 1A. RISK FACTORS

Investors should consider carefully factors that may impact the Company's operating results and financial condition, causing them to be materially adversely affected. The Company's risk factors have not materially changed from the information set forth in Item 1A Risk Factors included in the Vectren 2008 Form 10-K and are therefore not presented herein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Periodically, the Company purchases shares from the open market to satisfy share requirements associated with the Company's share-based compensation plans; however, no such open market purchases were made during the quarter ended March 31, 2009.

ITEM 6. EXHIBITS

Exhibits and Certifications

4.1 Note Purchase Agreement, dated April 7, 2009, among Vectren Utility Holdings, Inc., Indiana Gas Company, Inc., Southern Indiana Gas and Electric Company and Vectren Energy Delivery of Ohio, Inc. and the purchasers named therein. (Filed and designated in Form 8-K dated April 7, 2009 File No. 1-15467, as Exhibit 4.5)

4.2 Note Purchase Agreement, dated March 11, 2009, among Vectren Corporation, Vectren Capital, Corp. and each of the purchasers named therein. (Filed and designated in Form 8-K dated March 16, 2009 File No. 1-15467, as Exhibit 4.5)

4.3 First Amendment, dated March 11, 2009, to Note Purchase Agreement dated October 11, 2005, among Vectren Corporation, Vectren Capital, Corp. and each of the holders named herein. (Filed and designated in Form 8-K dated March 16, 2009 File No. 1-15467, as Exhibit 4.6)

4.4 Second Amendment, dated March 11, 2009, to Note Purchase Agreement, dated April 25, 1997, among Vectren Corporation, Vectren Capital, Corp. and the holder named therein as amended by the First Amendment thereto, dated October 11, 2005. (Filed and designated in Form 8-K dated March 16, 2009 File No. 1-15467, as Exhibit 4.7)

31.1 Certification Pursuant To Section 302 of The Sarbanes-Oxley Act Of 2002- Chief Executive Officer

31.2 Certification Pursuant To Section 302 of The Sarbanes-Oxley Act Of 2002- Chief Financial Officer

32 Certification Pursuant To Section 906 of The Sarbanes-Oxley Act Of 2002

SIGNATURES

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

VECTREN CORPORATION
Registrant

May 1, 2009

/s/Jerome A. Benkert, Jr.
Jerome A. Benkert, Jr.
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/M. Susan Hardwick
M. Susan Hardwick
Vice President, Controller and Assistant Treasurer
(Principal Accounting Officer)