

RiceBran Technologies
Form 10-K
March 31, 2015

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

FORM 10-K

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

For the year ended December 31, 2014

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

For the transition period from _____ to _____

Commission File Number 0-32565

RiceBran Technologies

(Exact name of registrant as specified in its Charter)

California
(State of Incorporation)

87-0673375
(I.R.S. Employer Identification No.)

6720 N. Scottsdale Road, Suite # 390 Scottsdale, AZ 85253

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (602) 522-3000

Securities registered under Section 12(b) of the Exchange Act:
NONE

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, no par value

(Title of Class)

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

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 No

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

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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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the 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.

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 definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended). YES NO

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of June 30, 2014, the aggregate market value of our common stock held by non-affiliates was \$35,220,504.

As of March 31, 2015, there were 9,386,822 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Definitive Proxy Statement for its annual meeting of shareholders, which Definitive Proxy Statement will be filed with the Commission not later than 120 days after the registrant's fiscal year ended December 31, 2014, are incorporated by reference into Part III of this Annual Report on Form 10-K.

FORM 10-K

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FORWARD-LOOKING STATEMENTS

This Annual Report includes forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but are based on current expectations, estimates and projections about our industry, our beliefs and our assumptions. Words such as “believes,” “anticipates,” “expects,” “intends” and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. These forward-looking statements are not guarantees of future performance and concern matters that could subsequently differ materially from those described in the forward-looking statements. Actual events or results may also differ materially from those discussed in this Annual Report. These risks and uncertainties include those described in “Risk Factors” and elsewhere in this Annual Report. Except as required by law, we undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this Annual Report.

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PART I

ITEM 1. BUSINESS

Overview

History and Our Corporate Structure

We are a human food ingredient, functional food ingredient, packaged functional food and animal nutrition company focused on value-added processing and marketing of healthy, natural and nutrient dense products derived from raw rice, an underutilized by-product of the rice milling industry.

Using our bio-refining business model, we apply our proprietary and patented technologies and intellectual properties to convert raw rice bran into numerous high value products including stabilized rice bran (SRB), rice bran oil (RBO), defatted rice bran (DRB) and derivative products including: RiBalance, a complete rice bran nutritional package derived from further processing of SRB; RiSolubles, a highly nutritious, carbohydrate and lipid rich fraction of RiBalance; RiFiber, a fiber rich insoluble derivative of RiBalance, and ProRyza, rice bran protein-based products, and a variety of other valuable derivatives extracted from these core products.

Our target markets are natural food, functional food, cosmetic and animal nutrition manufacturers, wholesalers and retailers, both domestically and internationally.

We have two reportable operating segments in 2014: (i) USA segment, which manufactures and distributes SRB (for human food ingredient and animal nutrition customers) and derivative products (ii) Brazil segment, which extracts crude RBO and DRB from rice bran, which are then further processed into fully refined rice bran oil for sale internationally and in Brazil, compounded animal nutrition products for horses, cows, swine, sheep and poultry and a number of human food and animal nutrition products, derivatives and co-products. We incur corporate and other expenses not directly attributable to operating segments, which include costs related to our corporate staff, general and administrative expenses including public company expenses, intellectual property, professional fees, and other expenses. No Corporate allocations, including interest, are made to the operating segments.

The combined operations of our USA and Brazil segments encompass our bio-refining approach to processing raw rice bran into various high quality, value-added constituents and finished products. Over the past decade, we have developed and optimized our proprietary bio-refining processes to support the production of healthy, natural, hypoallergenic, gluten free, and non-genetically modified ingredients for use in meats, baked goods, cereals, coatings, health foods, nutritional supplements, nutraceuticals and high-end animal nutrition and animal health products.

On January 2, 2014, we acquired H&N Distribution Inc., an Irving, Texas based company now operating as Healthy Natural, Inc. (HN) which has a formulating, blending and co-packaging facility in Irving, Texas, where it manufactures products for the human nutrition market. See Note 4 to the consolidated financial statements for further discussion of the terms of the acquisition.

In February 2008, through our Delaware subsidiary Nutra S.A., we acquired 100% ownership of Industria Riograndens De Oleos Vegetais Ltda. (Irgovel), our rice bran oil processing plant in Pelotas, Brazil. During 2011, we sold a minority interest in Nutra SA, to AF Bran Holdings-NL LLC and AF Bran Holding LLC.

We incorporated under the laws of the State of California on March 18, 1998. From July 2003 until October 2012, our corporate name was "NutraCea." Our common stock is currently trading on NASDAQ Capital Market under the symbol "RIBT." Certain of our warrants are currently trading on the same exchange under the symbol "RIBTW".

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USA

The USA segment produces SRB inside two rice bran stabilization facilities, located within supplier rice mills in Arbuckle and West Sacramento, California, and one owned facility in Mermentau, Louisiana. At Dillon, Montana, the USA segment also produces our Stage II products including: RiSolubles, a highly nutritious, carbohydrate and lipid rich fraction of SRB; RiFiber, a fiber rich derivative of SRB; RiBalance, a complete rice bran nutritional package derived from further processing RiBalance, and ProRyza, protein-based products. “Stage II” refers to the proprietary processes run at our Dillon, Montana facility and describes products produced at that facility using our patented processes. The manufacturing facilities included in our USA segment have proprietary processing equipment and process patented technology for the stabilization and further processing of rice bran into finished products. Beginning January 2, 2014, with the acquisition of HN, we also formulate and copack products at a leased facility in Irving Texas. We lease a facility in West Sacramento, California that houses a laboratory, warehouse and production facilities. We use an owned facility in Lake Charles, Louisiana as a temporary warehouse. In 2014, approximately 83% of USA segment revenue is from sales of human nutrition products and the remainder was from sales of animal nutrition products.

Brazil Segment

The Brazil segment consists of the consolidated operations of Nutra SA, whose only operating subsidiary is Irgovel, located in Pelotas, Brazil. Irgovel manufactures RBO and DRB products for both the human ingredient and animal nutrition markets in Brazil and internationally. In refining RBO to an edible grade, several co-products are obtained. One such product is distilled fatty acids, a valuable raw material for the detergent industry. Irgovel also produces rice lecithin, which has application in human nutrition, animal nutrition and industrial applications. DRB is compounded with a number of other ingredients to produce complex animal nutrition products which are packaged and sold under Irgovel brands in the Brazilian market, sold as a raw material for further processing into human food ingredients or sold in bulk into the animal nutrition markets in Brazil and neighboring countries. In 2014, approximately 39% of Brazil segment product revenue was from sales of RBO products and the remainder was from sales of DRB products. Irgovel, however, was shut down for a portion of 2014 to complete the final stages of a capital expansion project, which caused a temporary change in sales mix. We expect RBO sales to return to historical levels, approximately 45% of product revenues, in the near future.

Our Irgovel subsidiary is comprised of several facilities on approximately 19 acres in Pelotas, Brazil. These facilities include a plant for extraction of RBO from raw rice bran, RBO refining processes, compounded animal nutrition manufacturing, consumer RBO bottling, distilled fatty acid manufacture, lecithin manufacture, and support systems for the plant, including steam generation, maintenance, administrative offices and a quality assurance laboratory.

Ownership Interest in Nutra SA

In December 2010, we entered into a membership interest purchase agreement with AF Bran Holdings-NL LLC and AF Bran Holdings LLC (collectively, the Investors) and sold a minority interest in Nutra SA to the Investors in January 2011. The Investors initially purchased a 35.6% interest in Nutra SA. The Investors ownership percentage in Nutra SA averaged 40.0% in 2014 and 49.0% in 2013 and was 34.7% at December 31, 2014. Under agreements with the Investors, we are restricted from competing with Nutra SA and Irgovel in Brazil as further described in the MIPA.

The Investors have the right to begin a process to force the sale of all Nutra SA assets on or after January 1, 2016. The right terminates upon the occurrence of certain events (a \$50.0 million Nutra SA initial public offering or a change of control, as defined). We may elect to exercise a right of first refusal to purchase the Investors’ interest instead of proceeding to a sale.

Under the limited liability company agreement for Nutra SA, as amended (LLC agreement), any units of membership interest held by the Investors beginning January 1, 2014, accrue a yield at 4% (the Yield). Commencing with the first quarter of 2014, Nutra SA must make distributions to the Investors quarterly in the amount equal to the previously accrued and unpaid Yield plus any additional distributions owed to the Investors, to the extent there is distributable cash, as defined in the LLC agreement.

Following the payment of the Yield, Nutra SA must distribute all distributable cash (as defined in the LLC Agreement) to the members on March 31 of each year as follows: (i) first, to the Investors in an amount equal to 2.3 times the Investors' capital contributions, less the aggregate amount of distributions paid to the Investors, (ii) second, to us in an amount equal to two times the capital contributions made by us, less the aggregate amount of distributions paid to us; and (iii) third, to us and the Investors in proportion to our respective membership interests.

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Under the LLC agreement, the business of Nutra SA is to be conducted by the manager, currently our CEO, subject to the oversight of the management committee. The management committee is comprised of three of our representatives and two Investor representatives. Upon an event of default or a qualifying event, we will no longer control the management committee and the management committee will include three Investor representatives and two of our representatives. In addition, following an event of default or a qualifying event, a majority of the members of the management committee may replace the manager of Nutra SA.

Background

Consistent with our mission to convert feed to food, our greatest opportunities are in the functional food, nutraceutical and human food ingredient markets.

Nutraceutical and Functional Foods (NFF)

Based on industry sources, the U.S. nutraceutical and functional foods market is projected to reach \$75.3 billion in 2017 and grow at a compounded annual growth rate of nearly 6% between 2013 and 2017. Premium ingredient manufacturers are in high demand and we are strategically positioned to take advantage of this growing and sustainable market opportunity as discussed below in “Our Growth Strategy”.

Our ingredient products are primarily sold to consumer nutrition and healthcare companies, nutritional supplement retailers and direct sales companies. In August 2013, we entered into a multi-year agreement to sell certain of our Stage II products to a rapidly growing direct marketing company. Pursuant to that agreement, that company is obligated to purchase a minimum of \$7.7 million in products during the term of the agreement which expires in December 2016. We will seek additional long-term supply agreements with similar companies in the future. As part of this strategy, we have been working with co-packaging and fulfillment companies to expand our presence in these markets.

Human Food Ingredients

Our SRB, DRB, RBO and derivatives are nutritional, economical and beneficial food products that contain a unique combination of oil, protein, carbohydrates, vitamins, minerals, fibers, and antioxidants that enhance the nutritional value of popular consumer products. Foods that are ideally suited for the addition of our SRB and DRB to their products include processed meats, cereals, baked goods, breading and batters. The inclusion of DRB in breading and batters can result in a reduction in oil uptake, higher moisture retention, improved nutritional profiles, and reduced costs.

In 2008, we received USDA/FSIS approval to market rice bran as an ingredient to be used as a filler in comminuted meat products, such as meat and poultry sausages that contain binders, nugget-shaped patties, meatballs, meatloaf, and meat and poultry patties. Our products replace functional ingredients like soy protein isolate, soy protein concentrate, modified food starch, pea protein and mustard flour at a significantly reduced cost. With strong application benefits such as reduced cost per unit, increased product yield and reduced purge, our SRB has a significant market opportunity in the comminuted meat market both inside and outside the U.S.

Animal Nutrition

Our SRB and DRB are marketed as feed ingredients in the U.S. and international animal nutrition markets. We will continue to pursue high margin sales opportunities in those markets. Our SRB and DRB are used as equine feed ingredients and have been shown to provide health benefits. Show and performance horses represent the premium end of the equine market and are a key target for our animal nutrition products. In our Brazil segment, we also blend DRB with other ingredients to produce a variety of feed formulations targeted to animal species such as horses, beef cattle,

dairy cows, pigs, sheep and poultry.

About Rice Bran

Rice is the staple food for over half of the world's population and is the staple food source for several of the world's most populous countries. Asia accounts for roughly 90% of global rice production and China is the world's number one rice producer. Globally, Brazil and the United States rank 9th and 10th, respectively, in production of rice, with approximately 11 million metric tons produced in each country annually.

When harvested from the field, individual rice kernels are stored in common receiving locations such as farm silos for future delivery to grain dryers or area rice mills. At this stage, large quantities of individual rice kernels are collectively called "paddy rice," or "rough" rice. In this form, the rice kernel is fully enveloped by the rice hull, which serves as a protective cover, shielding the inner rice kernel from damage.

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After storage and drying, if necessary, paddy rice is cleaned of foreign material (scalping, de-stoning and aspiration) just before it enters the first stage of milling, or paddy husking. In the paddy husker, the hull is removed from rough rice by differential speed rubber rollers. Loosened hulls are carried off by aspiration. After husking, a paddy separator uses a reciprocating motion to separate normal brown rice kernels (caryopsis) from unhusked kernels which are returned to the paddy husker.

In the second stage of milling, the outer brown layers of bran are removed from the inner white starch endosperm by an abrasive or frictional milling process which produces a milled, white rice kernel. After milling, white rice is typically sorted by size to remove broken pieces of rice kernels from whole kernels, as well as color sorting to remove discolored kernels. Additional stages may be required (per customer specifications) to polish the white rice to a smooth surface.

Raw rice bran collected from the milling process is composed of rice germ and several sub-layers (pericarp, testa, nucellus and aleurone) surrounding the white starchy endosperm. Commercial rice bran makes up approximately 10% of rough rice by weight. Rice germ, an especially nutrient rich material, makes up approximately 10% of commercial rice bran by weight.

As brown rice is milled into white rice, the oils present in raw rice bran come into contact with native lipase enzymes that are naturally present in the rice kernel. These lipase enzymes initiate a rapid enzymatic hydrolysis of the oil, converting oils (triglycerides) into monoglycerides, diglycerides and free fatty acids (FFA). As the FFA content builds in raw rice bran, the bran becomes unpalatable and off flavors (rancidity) develop. If left unchecked, enzymatic degradation at normal room temperatures can increase the FFA levels to 5-8% within 24 hours and can continue at a rate of approximately 4-5% per day thereafter. Enzymatic degradation is the most serious form of degradation of raw rice bran. Rice bran stabilization is the process of carefully deactivating native enzymes to prevent the increase of FFA otherwise caused by lipase enzyme activity. Proper stabilization is critical in the preservation of the nutritional value of the bran, an important nutrient source that is largely used as animal feed or otherwise wasted.

Historically there have been a number of attempts to develop rice bran stabilization techniques, including the use of chemicals, microwave heating, or variations of existing extrusion technology. Many of these approaches have had limited success in part because they have produced rice bran with limited shelf life or with significant degradation of nutrients.

Our Technologies

Our Proprietary Rice Bran Stabilization Technology

Our stabilization process uses proprietary innovations to create a combination of temperature, pressure and other conditions necessary to thoroughly deactivate enzymes without significantly damaging the structure or nutrient content of raw rice bran. This means that higher value compounds in bran, such as oils, proteins and phytonutrients are left undamaged and are available for utilization. Our process does not use chemicals to stabilize raw rice bran.

Our stabilizers are designed to be installed adjacent to, on the premises of or in near proximity to any conventional rice mill so that freshly milled raw rice bran can be quickly delivered to our proprietary stabilizers. Process logic controllers maintain exact process conditions within the prescribed pressure/temperature regime. In case of power failure or interruption of the flow of fresh bran into the system, the electronic control system is designed to purge the equipment of materials in process and resume production only after proper operating conditions are re-established.

SRB leaving our system is then discharged onto cooling units specifically designed to control air pressure and humidity. Cooled SRB can be loaded into bulk hopper trucks for large volume customers or sent by pneumatic conveyor to a bagging unit for packaging into 50 pound or 2,000 pound sacks.

Each stabilization module can process approximately 2,000 pounds of bran per hour and has a capacity of over 7,200 tons per year. Stabilization production capacity can be doubled, tripled or further multiplied by installing additional units sharing a common conveyor and stage system, which we believe can handle the output of the world's largest rice mills. We have also developed and tested a smaller production unit, with a maximum production capacity of 840 tons per year, for installation in countries or locations where rice mills are substantially smaller than those in the United States.

Additional patented and proprietary processes involve enzyme treatment of SRB or DRB to produce fractions enriched in one or more macronutrients, including proteins, fibers, lipids and micronutrients such as vitamins, minerals and phytosterols, among others. In these processes SRB or DRB, in an aqueous slurry, is treated with one or more enzymes, centrifugally separated and the fractions dried on drum driers.

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Our Bio-Refining Process

Rice bran is hypoallergenic and a valuable source of protein with a balanced amino acid profile for human nutrition and is rich in healthy oil, vitamins, antioxidants, dietary fiber and other nutrients. The approximate composition and caloric content of our SRB is as follows:

Fat (oil)	18-23 %
Protein	12-16 %
Total Dietary Fiber	20-30 %
Moisture	4-8 %
Ash	6-14 %
	3.2
Calories	kcal/gram

Rice bran contains approximately 18-23% oil, which has a favorable fatty acid composition and excellent heat stability. Rice bran oil contains essential fatty acids and a broad range of nutraceutical compounds that have been demonstrated to have therapeutic properties.

In the bio-refining process, raw rice bran is obtained from a number of rice mills and transported to a facility within which it is first stabilized via extrusion and then solvent extracted to produce crude RBO and DRB. Crude RBO is subsequently processed in a number of steps designed to sequentially capture constituents of value and to remove and discard impurities. The final outcome of these steps is a highly refined, edible RBO that has superior flavor and functional properties. In addition, the various co-products of crude RBO processing, distilled fatty acids for example, are refined and sold as products in their own right. DRB is finely ground and packaged for use as a versatile food ingredient in many applications. DRB may also be compounded with other ingredients such as vegetable proteins, carbohydrates, vitamin premixes and minerals to produce an array of nutritionally targeted animal feeds for various species. The DRB can also be further processed to extract and concentrate protein and dietary fiber. Our bio-refining process and related technologies are being continuously improved and optimized as we examine the technical and commercial feasibility of producing additional products derived from both RBO and DRB.

DRB contains many of the same nutritional and functional benefits as SRB, except that the oil has been removed. This is important for several ingredient applications where SRB's oil content could present food formulation challenges. By removing oil from SRB, nutritionists have greater options to formulate DRB into breakfast bars, low-calorie foods, low-fat baking applications and batter and breading for frying applications. Additionally, DRB is ideally suited for downstream enzymatic processing, transforming DRB into an ideal feedstock for protein and fiber concentrates.

RBO as extracted from stabilized rice bran can be utilized in a variety of edible and industrial oil applications. With proper processing, RBO becomes high quality cooking oil possessing beneficial high temperature frying characteristics. RBO has a unique fatty acid content that imparts improved oxidative stability as compared to other vegetable oils such as soy or cottonseed giving it advantages when used in food applications. The RBO extraction process utilized at our Brazilian facility uses a conventional solvent extraction process to separate oil from raw bran, resulting in crude RBO available for sale to industrial markets or other processors. Additional refining processes done in Brazil can involve degumming, neutralization, bleaching, de-waxing and deodorizing. A bio-refining process approach results in numerous marketable co-products in addition to the actual end product.

Our Growth Strategy

With the proceeds from our recent financing transactions, we are positioned to capitalize on specific market conditions that we believe will increase market acceptance of our products and lead to increased growth and profitability. These

market conditions are:

Increasing global demand for vegetable oil – Our Brazil segment currently sells all of the rice bran oil it can produce in our oil extraction and refining plant in Pelotas, Brazil. Following the capital expansion project at this plant, raw rice bran processing capacity increased approximately 50% in late 2014.

Increasing demand for new protein sources – We have co-developed proprietary technologies with DSM Innovation Center, a subsidiary of Royal DSM N.V., that enables the extraction of protein from DRB and SRB feed-stocks that we produce in both of our Brazil and USA segments. We recently launched new protein products from our U.S. operations based on these technologies and plan to produce protein from DRB in our Brazil segment in the future. In addition, we have entered into a series of agreements with various affiliates of Wilmar International Limited (collectively, Wilmar) to develop and commercialize rice bran products, including protein, for the China market. Wilmar currently operates 12 large rice mills in China and is a leading producer of raw rice bran that is available for further processing into higher value products such as protein and fiber.

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Demand for “clean” labels on food products – The market for healthy and nutritious foods is rapidly expanding in the US, Europe and other global markets with increasing demand for healthy, natural and minimally processed ingredients that are hypoallergenic, non-genetically modified, and produced in a sustainable fashion. The regulatory need to add front-of-label warnings on food items is driving food companies to replace standard food ingredients

3. like soy and wheat with “cleaner” ingredients such as rice bran which is non-allergenic, non-genetically modified, natural and minimally processed. Incorporation of our food ingredients by major global food companies into meats, baked goods and cereals has steadily increased in the past year helping drive sales. We expect this growth to continue as more food companies adopt rice bran as a standard food ingredient. This trend is not limited to human foods as we are finding a similar transition to “clean” ingredients among high-end animal nutrition companies.

The value of proprietary, evidence-based functional ingredients for nutraceuticals and functional foods – With increasing medical costs associated with doctor visits and medications, consumers are becoming more proactive in adopting and maintaining healthier lifestyles through exercise, balanced nutrition and increased consumption of

4. functional foods and nutraceuticals. Associated with this trend is higher demand by marketers of nutraceuticals and functional foods for novel functional ingredients and particularly for proprietary and patented ingredients that provide barriers to competition in the marketplace, therefore commanding higher premiums. We currently develop and commercialize proprietary rice bran ingredients and derivatives from our Stage II facility in the USA segment.

Expand Our Nutraceutical and Functional Foods (NFF) Business

Based on industry sources, the U.S. nutraceutical and functional foods market is projected to reach \$75.3 billion in 2017 and grow at compound annual growth rate of nearly 6% between 2013 and 2017. We have invested significant resources on research and development of rice bran derivatives with health-related applications. Functionalities for a subset of these products were validated through scientific studies and human clinical studies. Our portfolio of functional ingredients includes rice bran extracts that demonstrate beneficial properties in areas of cardiovascular health, weight management, glucose balance, inflammatory response and gastrointestinal health. Premium ingredient manufacturers are in high demand and we are strategically positioned to take advantage of this growing and sustainable market opportunity. We believe our proprietary technology and patents represent valuable assets for achieving strategic leverage in this industry segment particularly in the nutraceuticals, functional foods and functional beverages sectors. We intend to expand our NFF business by adopting the following strategy:

Direct marketing to formulators and co-packers. We believe that marketing our active ingredients directly to formulators and co-packers who manufacture turnkey finished products for direct to consumer marketing companies (i.e. multi-level marketing (MLM), web, radio, retail) and to active ingredient distributors will reduce new product development cycles and drive sales of our functional ingredients. Co-packers and distributors of healthy and natural products have established credibility with multiple marketing companies who rely on these businesses to develop and manufacture new turnkey products. In our experience, working with formulators and co-packers to sell finished products to marketing and distribution companies can shorten the product development cycle and increases sales quickly.

We believe that focusing our marketing efforts on distributors, formulators and co-packaging companies will increase sales of our Stage II products in both the short- and long-term as new functional ingredients are added to our portfolio of products.

Acquisition of formulating and packaging company that serves the NFF. In January 2014, we acquired HN. By incorporating HN’s formulating and packaging capabilities into our business model, we expect to drive sales of our Stage II products into multiple NFF channels allowing us to capture not only single ingredient sales but also sales of blended finished products consisting predominantly of our ingredients blended with other products and sold as a finished product on a business to business basis.

Increase production capacity of our Stage II products. During 2014, we approximately doubled our capacity to produce certain Stage II products at our Dillon, Montana facility, as compared to our 2013 capacity in response to projected increased demand for these products. We completed the expansion project near the end of 2014.

Develop novel proprietary functional ingredients. As part of our long-term strategy to grow the NFF business, we will continue to develop functional ingredients and packaged, compounded finished products from rice bran and to validate their functionality through evidence-based scientific studies and human clinical trials.

Increase Global Distribution Network

Our growth strategy includes increasing sales of our products in overseas markets. We recently added distributors in Canada and Mexico and plan to strengthen our network in other global markets.

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Complete Expansion of our Rice Bran Bio-Refinery in Brazil

We completed a major expansion at our Irgovel facility in the fourth quarter of 2014. This expansion should increase RRB processing by approximately 50% from the current capacity of 6,000 metric tons per month to approximately 9,000 metric tons per month, which would result in higher revenues and profitability.

Co-Research and Development and Investment in New Wilmar Businesses

We continue to collaborate with Wilmar to develop and market rice bran derived products aimed at the Chinese market. Under our agreements with Wilmar, we obtained the right to purchase 45% of the capital stock of any entity Wilmar establishes to develop new products relating to rice bran or its derivative, as defined in the agreement, using the intellectual property licensed to Wilmar. If we decline the right to purchase 45% of the capital stock of any such new entity, we have the option to purchase 25% of the entity within two years of the entity's formation. The exercise price for this option will equal 25% of the capital investment made in the entity, plus interest, as defined in the agreement. We believe this strategic partnership represents a future opportunity for us to participate in the Asia food market and to increase the overall value of our business.

Continue to Generate Evidence-Based Functionality of Our Proprietary Ingredients

A 57-subject clinical trial conducted by Advanced Medical Research, with our funding, suggested that consumption of our RiSolubles nutritional supplements may lower blood glucose levels of type 1 and type 2 diabetes mellitus patients and may be beneficial in reducing high blood cholesterol and high blood lipid levels. If warranted, we may develop products which address the use of SRB products as medical foods for, and to potentially make health benefit claims relating to, the effects of dietary rice bran on overall health and well-being and as it may relate to maintaining balanced sugar and lipid levels.

We have maintained relationships with several medical institutions and practicing physicians who may continue to conduct clinical trials and beta work for our products. Some of these previous clinical trials are reviewed in an article entitled "Effects of Stabilized Rice Bran, its Soluble and Fiber Fractions on Blood Glucose Levels and Serum Lipid Parameters in Humans with Diabetes Mellitus Types I and II" published in the Journal of Nutritional Biochemistry (March 2002, 175-187). The trial produced positive results by showing that the levels of blood lipids and glycosylated hemoglobin were reduced. Subsequently, three domestic and six international patents were issued to us on the strength of this clinical trial.

In December 2007, we formed Rice Science, LLC (Rice Science), a Delaware limited liability company, with Herbal Science Singapore Pte. Ltd. (Herbal Science) to develop nutraceutical extracts and pharmaceutical chemistries from our SRB. Herbal Science utilized sophisticated methodologies in the identification and isolation of specific biologically active compounds that have been tested for effectiveness against specific disease conditions. In March 2011, our partnership with Herbal Science ended with us acquiring the membership interest formerly owned by Herbal Science, leaving Rice Science as our wholly owned subsidiary. We are hopeful that the research performed by Herbal Science will result in biologically active SRB extracts for use in the nutraceutical and functional food industry.

In 2008, Rice Science conducted research regarding the development of extracts from SRB that would be effective in addressing inflammation and pain. A number of SRB extracts have been tested with two identified as having significant in vitro activities. A blend of these two extracts was created to produce a third extract that exhibits a high level of in vitro inhibition of Cox 1, Cox 2 and Lox 5 enzymes (Journal of Medicinal Food (2009) 12, 615-623). This extract was used in a pharmacokinetic study to determine uptake kinetics of key bioactives into human serum. Results indicated that the bioactive compounds were rapidly assimilated. The next step would be to conduct a human clinical trial if funds were available. A number of active compounds were identified and modeled.

Late in 2007, the Cancer Biomarkers Group in the Department of Cancer Studies and Molecular Medicine, University of Leicester in Leicester, UK published a research paper evaluating the effect of our SRB in ApcMin mice (British Journal of Cancer (2007) 96, 248-254). The mice were genetically modified to serve as models for mammary, prostate and intestinal carcinogenesis. They reported that consumption of SRB (30% in the diet) reduced the numbers of intestinal adenomas in these mice by 51% compared to the same mice on a control diet.

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Intellectual Property

From 2011 to March 2013, we engaged in a joint research project with DSM Innovation Center, a subsidiary of Royal DSM N.V., to develop methods for extracting and concentrating high quality vegetable protein from rice bran. Combined spending on research and development related to that project totaled \$3.0 million. In March 2013, we announced the development of an improved fiber protein product and a separate water soluble rice bran protein product which have been commercialized under the ProRyza mark. We will continue to support internal as well as external R&D efforts that improve on existing technologies or lead to the development of new technologies relating to rice bran processing and applications.

We hold eight U.S. patents relating to the production or use of rice bran and rice bran derivatives. In addition to the issued U.S. patents, we have been issued fourteen additional foreign patents covering the subject areas. We intend to apply for additional patents in the future as new products, treatments and uses are developed.

Our bio-refining and related stabilization activities are an adaptation and refinement of standard food processing technology applied to rice bran. We have chosen to treat certain of our methods and processes as a trade secret and not to pursue process or process equipment patents on the original processes. However, as we develop improvements we intend to periodically review whether we should seek patent protection for them. We believe that certain unique products, and their biological effects, resulting from our SRB may be patentable in the future. We also hold a number of U.S. registered trademarks and trade names and have applied for additional marks.

Government Regulations

Our operations are subject to federal, foreign, state, and local government laws and regulations, including those relating to zoning, workplace safety, and accommodations for the disabled, and our relationship with our employees are subject to regulations, including minimum wage requirements, anti-discrimination laws, overtime and working conditions, and citizenship requirements.

In both our United States and foreign markets, we are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints exist at the federal, state or local levels in the United States, and at all levels of government in foreign jurisdictions, including regulations pertaining to the formulation, manufacturing, packaging, labeling, distribution, sale and storage of our products. In addition, we are subject to regulations regarding product claims and advertising.

USA Segment

The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of our products are subject to regulation by one or more federal agencies, primarily the FDA, the FTC, and the USDA. Our activities are also regulated by various governmental agencies for the states and localities in which our products are manufactured and sold, as well as by governmental agencies in certain countries outside the United States, such as Brazil (discussed below), in which our products are manufactured and sold. Among other matters, regulation by the FDA and FTC is concerned with product safety and claims made with respect to a product's ability to provide health-related benefits. Specifically, the FDA, under the Federal Food, Drug, and Cosmetic Act (FDCA), regulates the formulation, manufacturing, packaging, labeling, distribution and sale of food including dietary supplements. The FTC regulates the advertising of these products.

Federal agencies, primarily the FDA and the FTC, have a variety of procedures and enforcement remedies available to them, including initiating investigations, issuing warning letters and cease-and-desist orders, requiring corrective labeling or advertising, requiring consumer redress such as requiring that a company offer to repurchase products previously sold, seeking injunctive relief or product seizures, imposing civil penalties or commencing criminal

prosecution. In addition, certain state agencies have similar authority. These federal and state agencies have in the past used these remedies in regulating participants in the food and dietary supplement industries, including the imposition of civil penalties.

The FDA Food Safety Modernization Act (FSMA), enacted January 4, 2011, amended the FDCA to significantly enhance FDA's authority over various aspects of food regulation including dietary supplements. The FSMA granted FDA mandatory recall authority when the FDA determines there is a reasonable probability that a food is adulterated or misbranded and that the use of, or exposure to, the food will cause serious adverse health consequences or death to humans or animals. One of the FSMA's more significant changes is the requirement of hazard analysis and risk-based preventive controls (HARPC) for all food facilities required to register with the FDA, except dietary supplement facilities in compliance with both CGMPs and the serious adverse event reporting requirements. Failure to comply with both CGMPs and the serious adverse event reporting requirements may subject dietary supplement manufacturers to the HARPC requirements.

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Any substance that is intentionally added to food is a food additive and is subject to premarket review and approval by the FDA, unless the substance is generally recognized, among qualified experts, as having been adequately shown to be safe under the conditions of its intended use, or unless the use of the substance is otherwise excluded from the definition of a food additive. When an additive is proposed for use in a meat, its safety, technical function, and conditions of use must also be evaluated by the USDA. Because the USDA retains jurisdiction over meat products and food ingredients intended for use in meats, the use of our SRB and DRB meat enhancers is regulated by this agency. Both SRB and DRB have USDA approval for use in meat products.

Animal feed ingredients are regulated by FDA at the federal level and the American Association of Feed Control Officials (AAFCO) at the state level. Our SRB is defined by AAFCO as heat stabilized rice bran.

Brazil Segment

The Brazilian Ministry of Agriculture, Livestock and Food Supply (MAPA), one of the Federal administrative bodies, is the primary regulator of agricultural products in Brazil, and its main activity is the management of public policies to encourage agriculture, the promotion of agribusiness and the regulation and standardization of services related to the sector. Amongst other activities, MAPA is responsible for the regulation and control of pharmaceuticals, biological products and medicated feed additives for animal use. MAPA is organized into departments, each one responsible for different sectors of the nation's agribusiness. Amongst these departments, the Secretary of Agricultural Defense (SDA) is responsible for implementing the actions of the State which aims at the prevention, control and eradication of animal diseases and plant pests. The SDA also contributes to the formulation of the national agricultural policy by planning, regulating, coordinating and supervising the activities of agricultural defense throughout the country, being responsible for the coordination of the Department of Inspection of Livestock Products. In order to fulfill its mission, the SDA provides central management and regulatory bodies as well as projections within the states for the implementation and coordination of those activities for which it is responsible. Furthermore, ANVISA, a regulatory agency which operates in all those sectors related to products and services that affect the health of the population, and with expertise that covers both sanitary regulation and the economic regulation of the market, contributes to the enforcement of most of the regulations regarding processed food products, including vegetable oils, fats and vegetable creams.

Sales and Marketing

Both our USA and Brazil segments use internal sales staff, outside independent sales representatives and third party distributors to market our portfolio of products domestically and internationally. In 2014, three customers accounted for 60% of USA segment revenues. In our Brazil segment, three customers accounted for 23% of segment revenues. In 2013, three customers accounted for approximately 38% of USA segment revenues and in our Brazil segment, three customers accounted for approximately 35% of segment revenues. We continue to diversify our customer base in an attempt to mitigate the concentration of customers. We have recently signed multi-year contracts with two customers who we expect to grow significantly. In addition, we have recently initiated new ingredient sales to large international consumer products companies that we expect to further diversify our portfolio risk.

Our Strategic Alliances

In 2011, we entered into an agreement with DSM Innovation Center, a subsidiary of Royal DSM N.V., with the goal of developing technology to extract and concentrate protein from rice bran. In March 2013, the agreement was mutually terminated under terms whereby we each received (i) the right to separately develop, modify and improve the jointly developed technology owned by the partner and (ii) a nonexclusive, royalty free, perpetual license to that technology.

RBT PRO, LLC (RBT PRO) was a wholly owned subsidiary whose only asset was the license acquired in March 2013. In April 2013, we entered into a series of agreements with Wilmar. In connection therewith, we sold a 50% membership interest in RBT PRO to Wilmar for \$1.2 million. RBT PRO granted an exclusive, royalty free, perpetual sublicense of the license to Wilmar for use throughout China and to us for use worldwide, excluding China.

We also entered into a cross license agreement with Wilmar, and under the agreements, we obtained the right to purchase 45% of the capital stock of any entity Wilmar establishes to develop new products relating to rice bran or its derivatives, as defined in the agreement, using the intellectual property licensed to Wilmar. If we decline the right to purchase 45% of the capital stock of any such new entity, we have the option to purchase 25% of the entity within two years of the entity's formation. The exercise price for this option will equal 25% of the capital investment made in the entity, plus interest, as defined in the agreement.

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Our Competition

There are a number of companies that have invested significant resources to develop stabilizing technologies for stabilizing and further processing rice bran and who market rice bran products with varying levels of stabilization into multiple markets around the world. We believe that we have best of breed technologies for stabilizing rice bran and, as such, have developed significant brand recognition in the animal feed and human food ingredient sectors both domestically and internationally. Together with our decades of application technology know-how and patented processing methods, we believe that we have a first-to-market advantage over the competition with respect to our SRB products

We are aware of several new producers of rice based animal nutrition and food ingredient products in the US, Europe and Asia. We believe that our major nutritional supplement competitors include producers of isolated soy protein, wheat bran and oat bran, particularly in the functional food ingredients market segment.

We compete with other companies that offer products incorporating SRB as well as companies that offer other food ingredients and nutritional supplements. We also face competition from companies providing products that use oat bran and wheat bran as nutritional supplements as well as for health and beauty aids. Many consumers may consider such products to be a replacement for the products we manufacture and distribute.

Beginning in 2008 with the purchase of Irgovel, we also began to compete in the world's edible oil market. Our competition for exports of rice bran oil resides primarily in Southeast Asia. Our branded rice bran oil "Carreteiro" competes with other bottled oils such as soy, palm, canola, peanut and others in the Brazilian market. In addition, our exported rice bran oil competes with those same oils from other grains, seeds and plants in markets around the world.

Our Employees

As of December 31, 2014, the USA and Corporate segments had 63 employees located in the U.S. The Brazil segment had 232 employees. Our employee count may change periodically. From year to year we experience normal variable labor fluctuation at our production facilities. We believe relations with our employees are good. None of our U.S. based employees are covered by collective bargaining agreements. All of the employees at our Irgovel facility in Brazil are represented by a labor union and are covered by a collective bargaining agreement.

Securities and Exchange Commission Reports

We maintain an Internet website at the following address: www.ricebrantech.com. We make available on or through our Internet website certain reports and amendments to those reports that we file with the Securities and Exchange Commission (SEC) in accordance with the Securities Exchange Act of 1934 (Exchange Act). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. The contents of our website are not incorporated by reference in this report on Form 10-K and shall not be deemed "filed" under the Securities Exchange Act of 1934. The public may also read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the Public Reference Room by contacting the SEC at 1-800-SEC-0330. Reports filed with the SEC are also made available on the SEC website (www.sec.gov).

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. Investors or potential investors in our stock should carefully consider the risks described

below.

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RISK FACTORS

Risks Relating to Our Business

We have not yet achieved positive cash flows.

Our net cash used in operating activities was \$10.0 million in 2014 and \$5.2 million in 2013. We may not be able to achieve revenue growth, profitability or positive cash flow, on either a quarterly or annual basis, and that profitability, if achieved, may not be sustained. If we are unable to achieve or sustain profitability, we may not be financially viable in the future and may have to curtail, suspend, or cease operations, restructure existing operations to attempt to ensure future viability, or pursue other alternatives such as re-filing for bankruptcy, pursuing dissolution and liquidation, seeking to merge with another company, selling all or substantially all of our assets or raising additional capital through equity or debt financings. Because of our recurring losses and negative cash flows from operations, the audit report of our independent registered public accountants on our consolidated financial statements contains an explanatory paragraph stating that there is substantial doubt about our ability to continue as a going concern.

We have generated significant losses since our inception in 2000, and losses in the future could cause the trading price of our stock to decline or have a material adverse effect on our financial condition, our ability to pay our debts as they become due and on our cash flows.

Since we began operations in February 2000, we have incurred an accumulated deficit in excess of \$240 million. We may not be able to achieve or maintain profitable operations if achieved. If our losses continue, our liquidity may continue to be severely impaired, our stock price may fall and our shareholders may lose all or a significant portion of their investment. If we are not able to attain profitability in the near future our financial condition could deteriorate further which could have a material adverse impact on our business and prospects and result in a significant or complete loss of your investment. Further, we may be unable to pay our debt obligations as they become due, which include obligations to secured creditors.

We may need to raise additional funds through debt or equity financings in the future to achieve our business objectives and to satisfy our cash obligations, which would dilute the ownership of our existing shareholders and possibly subordinate certain of their rights to the rights of new investors.

We may need to raise additional funds through debt or equity financings in order to complete our ultimate business objectives. We also may choose to raise additional funds in debt or equity financings if they are available to us on reasonable terms to increase our working capital, strengthen our financial position or to make acquisitions. Our board of directors has the ability, without seeking shareholder approval, to issue convertible debt and additional shares of common stock or preferred stock that is convertible into common stock for such consideration as the board of directors may consider sufficient, which may be at a discount to the market price. Any sales of additional equity or convertible debt securities would result in dilution of the equity interests of our existing shareholders, which could be substantial. Additionally, if we issue shares of preferred stock or convertible debt to raise funds, the holders of those securities might be entitled to various preferential rights over the holders of our common stock, including repayment of their investment, and possibly additional amounts, before any payments could be made to holders of our common stock in connection with an acquisition of us. Such preferred shares, if authorized, might be granted rights and preferences that would be senior to, or otherwise adversely affect, the rights and the value of our common stock. Also, new investors may require that we and certain of our shareholders enter into voting arrangements that give them additional voting control or representation on our board of directors.

Any material weaknesses in our internal control over financing reporting in the future could adversely affect investor confidence, impair the value of our common stock and increase our cost of raising capital.

Any future failure to remedy deficiencies in our internal control over financial reporting that may be discovered or our failure to implement new or improved controls, or difficulties encountered in the implementation of such controls, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any such failure could, in turn, affect the future ability of our management to certify that internal control over our financial reporting is effective. Inferior internal control over financial reporting could also subject us to the scrutiny of the SEC and other regulatory bodies which could cause investors to lose confidence in our reported financial information and could subject us to civil or criminal penalties or shareholder litigation, which could have an adverse effect on our results of operations and the trading price of our common stock.

In addition, if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our share price. Furthermore, deficiencies could result in future non-compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Such non-compliance could subject us to a variety of administrative sanctions, including review by the SEC or other regulatory authorities.

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There are significant market risks associated with our business.

We have formulated our business plan and strategies based on certain assumptions regarding the size of the rice bran market, our anticipated share of this market, the estimated price and acceptance of our products and other factors. These assumptions are based on our best estimates, however our assessments may not prove to be correct. Any future success may depend upon factors including changes in the dietary supplement industry, governmental regulation, increased levels of competition, including the entry of additional competitors and increased success by existing competitors, changes in general economic conditions, increases in operating costs including costs of rice bran, production, supplies, personnel, equipment, and reduced margins caused by competitive pressures. Many of these factors are beyond our control.

We may face difficulties integrating businesses we acquire.

As part of our strategy, we expect to review opportunities to buy other businesses or technologies, such as the acquisition of HN that was completed on January 2, 2014, that would complement our current products, expand the breadth of our markets or enhance technical capabilities, or that may otherwise offer growth opportunities. Such acquisitions involve numerous risks, including:

- problems combining the purchased operations, technologies or products;
- unanticipated costs;
- diversion of management's attention from our core business;
- adverse effects on existing business relationships with suppliers and customers;
- risks associated with entering markets in which we have no or limited prior experience;
- potential loss of key employees of purchased organizations;
- problems combining the purchased operations, technologies or products;
- unanticipated costs;
- diversion of management's attention from our core business;
- adverse effects on existing business relationships with suppliers and customers;
- risks associated with entering markets in which we have no or limited prior experience; and
- potential loss of key employees of purchased organizations.

We have significant foreign operations and there are inherent risks in operating overseas.

An important component of our business strategy is to build and operate rice bran stabilization and rice bran oil facilities in foreign countries and to market and sell our products internationally. For example, we have an operation in Brazil which manufactures rice bran oil. In 2015 we intend to install our proprietary SRB stabilization equipment in South America to allow Irgovel more operating flexibility. There are risks in operating facilities in foreign countries because, among other reasons, we may be unable to attract sufficient qualified personnel, intellectual property rights may not be enforced as we expect, and legal rights may not be available as contemplated. Should any of these risks occur, our ability to expand our foreign operations may be materially limited and we may be unable to maximize the output from these facilities and our financial results may decrease from our anticipated levels. The inherent risks of international operations could materially adversely affect our business, financial condition and results of operations. The types of risks faced in connection with international operations and sales include, among others:

- cultural differences in the conduct of business;
- fluctuations in foreign exchange rates;
- greater difficulty in accounts receivable collection and longer collection periods;
- challenges in obtaining and maintaining financing;
- impact of recessions in economies outside of the United States;
- reduced or obtainable protection for intellectual property rights in some countries;
- unexpected changes in regulatory requirements;
- tariffs and other trade barriers;

political conditions in each country;
management and operation of an enterprise spread over various countries;
the burden and administrative costs of complying with a wide variety of foreign laws; and
currency restrictions.

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Brazilian economic, political and other conditions, and Brazilian government policies or actions in response to these conditions, may negatively affect our business and results of operations.

The Brazilian economy has historically been characterized by interventions by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy. For example, the government's actions to control inflation have at times involved setting wage and price controls, blocking access to bank accounts, imposing exchange controls and limiting imports into Brazil. In addition, periodically there are disruptions related to national transportation strikes, like those occurring in February 2015, which may limit Irgovel's ability to receive raw rice bran and ship products to customers. We have no control over, and cannot predict, what policies or actions the Brazilian government may take in the future.

Our Brazilian segment's business, results of operations, financial condition and prospects may be adversely affected by, among others, the following factors:

- exchange rate movements;
- exchange control policies;
- expansion or contraction of the Brazilian economy, as measured by rates of growth in GDP;
- inflation;
- tax policies;
- other economic political, diplomatic and social developments in or affecting Brazil;
- interest rates;
- energy shortages;
- liquidity of domestic capital and lending markets;
- changes in environmental regulation; and
- social and political instability.

Our interests in Nutra SA are subject to certain drag along rights and we may receive little or no proceeds from such sale.

The Investors in Nutra SA (Investors) have the right to force the sale of all Nutra SA assets after January 1, 2016. Should the Investors desire to sell 100% of Nutra SA to a third party, we are obligated to cooperate in the negotiation and sale of Nutra SA in accordance with the terms of such sale as agreed to thereby. In the event of a sale, the Investors are entitled to a preferential return of any proceeds received from the sale of Nutra SA in an amount equal to the amount of their unreturned 4% yield, plus 2.3 times such investors' unreturned capital balance, which amounts must be distributed to such investors before any amounts may be distributed to us. The unreturned capital balance for the Investors as of March 31, 2015, is \$14.4 million. Because of these drag along rights, we will only receive a certain portion of the proceeds if the sales proceeds are greater than the amount of such preferential return, and we will receive no proceeds from the sale of Nutra SA if the proceeds from such sale are less than the investors preferential return.

The capital expansion project and temporary shutdown at our Irgovel facility could adversely affect our business, financial condition or results of operations.

Irgovel recently completed a capital expansion project involving installation of new equipment and improvements to existing infrastructure. The installation of new equipment at the Irgovel facility involves significant uncertainties. For example, our new equipment may not perform as expected or may differ from design and/or specifications. For example, in August 2014 we experienced a structural breakdown inside the ash house attached to the boiler system at our Irgovel facility. As a result, the steam necessary to operate the plant was unavailable and the plant was temporarily shut down. If we are required to redesign or modify the equipment to ensure that it performs as expected, we may need to further shut down the facility until the equipment has been redesigned or modified as necessary. Facility shutdown and subsequent restart expenses may adversely affect our operating results in the period when these

events occur. Any of the foregoing risks associated with the capital expansion project could lead to lower revenues or higher costs or otherwise have a negative impact on our future results of operations and financial condition.

Irgovel has certain financial and operating performance obligations which if not met may lead to us losing management control over Irgovel.

Under the terms of our agreements with the Investors, Irgovel must meet certain minimum annual processing targets and must achieve EBITDA of at least \$4.0 million, beginning in 2015. If Irgovel fails to meet these financial requirements, we could lose management control over Irgovel's operations, and management control would transfer to the other investors in Nutra SA. Any such change in management control would cause us to no longer consolidate Irgovel's financial results with our financial results. Instead, we would be required to account for Irgovel as an equity investment on our balance sheets which may negatively impact our share price.

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Our business could be affected adversely by labor disputes, strikes or work stoppages in Brazil.

All of the employees at our Irgovel facility in Brazil are represented by a labor union and are covered by a collective bargaining agreement. As a result, we are subject to the risk of labor disputes, strikes, work stoppages and other labor-relations matters. Our collective bargaining agreement in Brazil has a one-year term and requires that we provide wage adjustments each year. We may be unable to negotiate new collective bargaining agreements on similar or more favorable terms and may experience work stoppages or other labor problems in the future. We could experience a disruption of our operations or higher ongoing labor costs, which could have a material adverse effect on our operating results and financial condition, potentially resulting in cancelled orders by customers, unanticipated inventory accumulation or shortages and reduced revenues and net income.

Fluctuations in foreign currency exchange could adversely affect our financial results.

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. Dollar, including primarily the Brazilian Real. Currently, a significant portion of our revenues and expenses occur in our Brazilian subsidiary, Irgovel. Because our consolidated financial statements are presented in U.S. Dollars, we must translate revenues, income and expenses, as well as assets and liabilities, into U.S. Dollars at exchange rates in effect historically, during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. Dollar against the Brazilian Real and any other currency which affects a material amount of our operations, will affect our revenues, cost of sales, gross profit (loss), operating expenses, or other income and expenses and the value of balance sheet items denominated in foreign currencies. These fluctuations may have a material adverse effect on our financial results. Disruptions in financial markets may result in significant changes in foreign exchange rates in relatively short periods of time which further increases the risk of an adverse currency effect. Since we plan to expand our international operations, we will likely increase our exposure to foreign currency risks. We do not hedge our currency risk, and do not expect to, as currency hedges are expensive and do not necessarily reduce the risk of currency fluctuations over longer periods of time.

We depend on a limited number of customers.

In the USA segment, in 2014, three customers accounted for 60% of segment revenues and the top ten customers accounted for 75% of segment revenues. As of December 31, 2014, the customers with the highest ten balances in the USA segment accounted for 64% of segment accounts receivable.

In the Brazil segment, three customers accounted for 23% of 2014 segment revenues and our top ten customers accounted for 47% of 2014 segment revenues. As of December 31, 2014, the customers with the highest ten balances accounted for 75% of Brazil segment accounts receivable.

We are dependent upon the continued growth, viability and financial stability of our customers. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenues. Consolidation among our customers may further reduce the number of customers that generate a significant percentage of our revenues and expose us to increased risks relating to dependence on a small number of customers. A significant reduction in sales to any of our customers or a customer could have a material adverse effect on our results of operations.

The inability of our significant customers to meet their obligations to us may adversely affect our financial results.

We currently depend on a limited number of customers. This results in a concentration of credit risk with respect to our outstanding accounts receivable. We consider the financial strength of the customer, the remoteness of the possible risk that a default event will occur, the potential benefits to our future growth and development, possible actions to reduce the likelihood of a default event and the benefits from the transaction before entering into a large

credit limit for a customer. Although we analyze these factors, the ultimate collection of the obligation from the customer may not occur. Although we continue to expand our customer base in an attempt to mitigate the concentration of credit risk, the writing off of an accounts receivable balance could have an adverse effect on our results of operations. Financial instruments that potentially subject us to concentration of credit risk consist primarily of cash and cash equivalents and trade receivables. Historically, we have not experienced any loss of our cash and cash equivalents, but we have experienced losses to our trade receivables.

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We may encounter difficulties in maintaining relationships with distributors and customers while enforcing our credit policies.

We define credit risk as the risk of loss from obligors or counterparty default. Our credit risks arise from both distributors and consumers. Many of these risks and uncertainties are beyond our control. Our ability to forecast future trends and spot shifts in consumer patterns or behavior even before they occur are vital for success in today's economy. In managing risk, our objective is to protect our profitability, but also to protect, to the extent we can, our ongoing relationships with our distributors and customers. However, as part of our credit risk policies, we occasionally must, among other things, cancel, reduce credit limits and place cash only requirements for certain questionable accounts. These credit risk policies may negatively impact our relationships with our distributors and customers, which could adversely affect our results of operations.

We rely upon a limited number of product offerings.

The majority of the products that we have sold through December 31, 2014, have been based on SRB produced at our U.S. facilities and RBO extracted at Irgovel. A decline in the market demand for our SRB and RBO products or the products of other companies utilizing our SRB and RBO products, would have a significant adverse impact on us.

Our ability to generate sales is dependent upon our ability to continue our ongoing marketing efforts to raise awareness of our products and benefits of rice bran products generally.

We are dependent on our ability to market products to animal food producers, food manufacturers, mass merchandisers and health food retailers, and to other companies for use in their products. We must increase the level of awareness of dietary supplements in general and our products in particular. We will be required to devote substantial management and financial resources to these marketing and advertising efforts and such efforts may not be successful.

Our ability to adapt to sudden increases in demand of our product is limited by an adequate supply of raw rice bran and our ability to find additional facilities for production.

Many of our current products depend on our proprietary technology using raw rice bran, which is a by-product from milling paddy rice to white rice. Our ability to manufacture SRB is currently limited to the production capability of our equipment located at our two suppliers' rice mills in California and our own plant located adjacent to our supplier in Mermentau, Louisiana. At the facilities and our value-added product plants in Dillon, Montana and our facility in Pelotas, Brazil, we currently are capable of producing enough finished products to meet current demand. If demand for our products were to increase dramatically in the future, we would need additional production capacity which may take time and may expose us to additional long term operating costs.

We may not be able to continue to secure adequate sources of raw rice bran to meet our future demand. Since rice bran has a limited shelf life, the supply of rice bran is affected by the amount of rice planted and harvested each year.

Adverse economic or weather conditions may impact our supply of raw rice bran.

If economic or weather conditions, for example the current drought in California, adversely affect the amount of rice planted or harvested, the cost of rice bran products that we use may increase. We are not always able to immediately pass cost increases to our customers and any increase in the cost of SRB products could have an adverse effect on our results of operations.

We face competition from other companies that produce bran, grains and other alternative ingredients with similar benefits as our rice brans.

Competition in our targeted industries, including nutraceuticals, functional food ingredients, rice bran oils, animal feed supplements and companion pet food ingredients is vigorous, with a large number of businesses engaged in the various industries. Many of our competitors have established reputations for successfully developing and marketing their products, including products that incorporate bran from other cereal grains and other alternative ingredients that are widely recognized as providing similar benefits as rice bran. In addition, many of our competitors have greater financial, managerial, and technical resources than we do. If we are not successful in competing in these markets, we may not be able to attain our business objectives.

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We must comply with our contractual obligations.

We have numerous ongoing contractual obligations under various purchase, sale, supply, production and other agreements which govern our business operations. We also have contractual obligations which require ongoing payments such as various debt agreements and lease obligations and the agreement of Irgovel to pay tax obligations to the Brazilian government. While we seek to comply at all times with these obligations, we may not be able to comply with the terms of all contracts during all periods of time, especially if there are significant changes in market conditions or our financial condition. If we are unable to comply with our material contractual obligations, there likely would be a material adverse effect on our financial condition and results of operations.

We are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints both domestically and abroad and our failure to comply with these laws, regulations and constraints could lead to the imposition of significant penalties or claims, which could harm our financial condition and operating results.

In both the U.S. and foreign markets, the formulation, manufacturing, packaging, labeling, distribution, sale and storage of our products are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints may exist at the federal, state or local levels in the United States and at all levels of government in foreign jurisdictions. The dietary supplement and cosmetic industries are subject to considerable government regulation, both as to efficacy as well as labeling and advertising. We are subject to regulation by one or more federal agencies including the U.S. Food and Drug Administration (FDA), the U.S. Federal Trade Commission (FTC), and the U.S. Department of Agriculture (USDA), state and local authorities and foreign governmental agencies including the Brazilian National Health Surveillance Agency. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of our products, resulting in significant loss of sales revenues. Our failure to comply with these current and new regulations could lead to the imposition of significant penalties or claims, limit the production or marketing of any non-compliant products or advertising and could negatively impact our business.

We may be subject to product liability claims and product recalls.

We sell food and nutritional products for animal and human consumption, which involves risks such as product contamination or spoilage, product tampering and other adulteration of food products. We may be subject to liability if the consumption of any of our products causes injury, illness or death. We maintain a product liability policy for \$5.0 million per year in the aggregate. In addition, we may voluntarily recall products in the event of contamination or damage. A significant product liability judgment or a widespread product recall may cause a material adverse effect on our financial condition. Even if a product liability claim is unsuccessful, there may be negative publicity surrounding any assertion that our products caused illness or injury which could adversely affect our reputation with existing and potential customers.

Many of the risks of our business have only limited insurance coverage and many of our business risks are uninsurable.

Our business operations are subject to potential product liability, environmental, fire, employee, manufacturing, shipping and other risks. Although we have insurance to cover some of these risks, the amount of this insurance is limited and includes numerous exceptions and limitations to coverage. In the event we were to suffer a significant uninsured claim, our financial condition would be materially and adversely affected.

Our success depends in part on our ability to obtain, enforce and protect our patents, licenses and other intellectual property rights for our products and technology.

Our success is dependent upon our ability to protect and enforce the patents, trade secrets and trademarks that we have and to develop and obtain new patents and trademarks for future processes, machinery, compounds and products that we develop. The process of seeking patent protection may be long and expensive, and patents might not be issued or not be broad enough in scope. We may not be able to protect our technology adequately, and our competition may be able to develop similar technology that does not infringe or encroach upon any of our rights.

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There currently are no claims or lawsuits pending or threatened against us regarding possible infringement claims, but infringement claims by third parties, or claims for indemnification resulting from infringement claims, could be asserted in the future or that such assertions, if proven to be accurate, could have a material adverse effect on our business, financial condition and results of operations. In the future, litigation may be necessary to enforce our patents, to protect our trade secrets or know-how or to defend against claimed infringement of the rights of others and to determine the scope and validity of the proprietary rights of others. Any litigation could result in substantial cost and diversion of our efforts and other resources, which could have a material adverse effect on our financial condition and results of operations. Adverse determinations in any litigation could result in the loss of our proprietary rights, subjecting us to significant liabilities to third parties, require us to seek licenses from third parties or prevent us from manufacturing or selling our systems, any of which could have a material adverse effect on our financial condition and results of operations. A license under a third party's intellectual property rights might not be available to us on reasonable terms, if at all.

We are dependent on key employees.

Our success depends upon the efforts of our top management team and certain other key employees, including the efforts of John Short (chief executive officer), Dale Belt (chief financial officer), Mark McKnight (senior vice president sales) and Robert Smith, PhD (senior vice president of operations and R&D). Although we have written employment agreements with our CEO and CFO and senior vice president of sales, such individuals could die, become disabled, or resign. In addition, our success is dependent upon our ability to attract and retain key management persons for positions relating to the marketing and distribution of our products. We may not be able to recruit and employ such executives at times and on terms acceptable to us. Also, volatility, lack of positive performance in our stock price and changes in our overall compensation program, including our equity incentive program, may adversely affect our ability to retain such key employees.

Compliance with corporate governance and public disclosure regulations may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, and new regulations issued by the SEC, such as Dodd-Frank, are creating uncertainty for companies. In order to comply with these laws, we may need to invest substantial resources to comply with evolving standards, and this investment would result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Our officers and directors have limited liability and have indemnification rights.

Our articles of incorporation and bylaws provide that we may indemnify our officers and directors against losses sustained or liabilities incurred which arise from any transaction in that officer's or director's respective managerial capacity, unless that officer or director violates a duty of loyalty, did not act in good faith, engaged in intentional misconduct or knowingly violated the law, approved an improper dividend, or derived an improper benefit from the transaction.

Risks Relating to Our Stock

Our stock price is volatile.

The market price of our common stock has fluctuated significantly in the past and may continue to fluctuate significantly in the future. The market price of the common stock may continue to fluctuate in response to a number of factors, including:

- announcements of new products or product enhancements by us or our competitors;
- fluctuations in our quarterly or annual operating results;

developments in our relationships with customers and suppliers;
our ability to obtain financing;
the loss of services of one or more of our executive officers or other key employees;
announcements of technological innovations or new systems or enhancements used by us or our competitors;
developments in our or our competitors' intellectual property rights;
adverse effects to our operating results due to impairment of goodwill;
failure to meet the expectation of securities analysts' or the public;
general economic and market conditions;
our ability to expand our operations, domestically and internationally;
the amount and timing of expenditures related to any expansion;
litigation involving us, our industry or both;
actual or anticipated changes in expectations by investors or analysts regarding our performance; and
price and volume fluctuations in the overall stock market from time to time.

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In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Our stock price is volatile and we have been the target of shareholder litigation. Any shareholder litigation brought against us in the future could result in substantial costs and divert our management's attention and resources from our business.

We have significant "equity overhang" which could adversely affect the market price of our common stock and impair our ability to raise additional capital through the sale of equity securities.

As of March 31, 2015, we had 9,386,822 shares of common stock outstanding and 6,773,601 shares of our common stock were issuable upon exercise of our outstanding options and warrants. The possibility that substantial amounts of our common stock may be sold by investors or the perception that such sales could occur, often called "equity overhang," could adversely affect the market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities in the future. The issuance of the additional shares upon an increase in our authorized shares of common stock would significantly increase the amount of our common stock outstanding and the amount of the equity overhang.

The impacts of antidilution provisions in certain warrants may dilute current shareholders.

As of March 31, 2015, we had 426,489 shares of common stock issuable upon exercise of outstanding warrants that contain antidilution provisions, with a current exercise price of \$5.24. These antidilution provisions cause the exercise prices and conversion prices of the warrants to decrease automatically if we issue shares of our common stock or securities convertible into shares of our common stock at prices below the exercise price of these warrants. These adjustments automatically cause the number of shares issuable upon exercise of these warrants to proportionately increase. Any such adjustment could materially dilute the holders of our common stock.

The authorization and issuance of preferred stock may have an adverse effect on the rights of holders of our common stock.

Our board of directors, without further action or vote by holders of our common stock, has the right to establish the terms, preference, rights and restrictions and issue shares of preferred stock. The terms of any series of preferred stock could be issued with terms, rights, preferences and restrictions that could adversely affect the rights of holders of our common stock and thereby reduce the value of our common stock. The designation and issuance of preferred stock favorable to current management or shareholders could make it more difficult to gain control of our board of directors or remove our current management and may be used to defeat hostile bids for control which might provide shareholders with premiums for their shares. We have designated and issued five series of preferred stock, no shares of which remain outstanding. We may issue additional series of preferred stock in the future.

If we fail to comply with the continuing listing standards of The NASDAQ Capital Market, our securities could be delisted.

Our common stock is listed on the NASDAQ Capital Market under the symbol "RIBT", and we also have outstanding warrants listed on the NASDAQ Capital Market under the symbol "RIBTW". For our common stock and warrants to continue to be listed on the NASDAQ Capital Market, we must meet the current NASDAQ Capital Market continued listing requirements. If we were unable to meet these requirements, including, but not limited to, requirements to obtain shareholder approval of a transaction other than a public offering involving the sale or issuance equal to 20% or more of our common stock at a price that is less than the market value of our common stock, our common stock and warrants could be delisted from the NASDAQ Capital Market. If our securities were to be delisted from the NASDAQ Capital Market, our securities could continue to trade on the over-the-counter bulletin board following any delisting from the NASDAQ Capital Market, or on the Pink Sheets, as the case may be. Any such delisting of our securities could have an adverse effect on the market price of, and the efficiency of the trading market for our

securities, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and less coverage of us by securities analysts, if any. Also, if in the future we were to determine that we need to seek additional equity capital, it could have an adverse effect on our ability to raise capital in the public or private equity markets.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

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We maintain various facilities that are used for manufacturing, warehousing, research and development, distribution, and administrative functions. These facilities consist of both owned and leased properties. The following table summarizes the properties used to conduct our operations as of March 31, 2015:

Primary Segment	Location	Status	Primary Use
USA	West Sacramento, California	Leased	Warehousing, and administrative
USA	Mermentau, Louisiana	Owned	Manufacturing
USA	Lake Charles, Louisiana	Building – owned Land - leased	Warehouse
USA	Dillon, Montana	Owned	Manufacturing
USA	Irving, Texas	Leased	Manufacturing, warehousing and distribution
Brazil	Pelotas, Brazil	Owned	Manufacturing, R&D and administrative
Corporate	Scottsdale, Arizona	Leased	Administrative – corporate offices

Our corporate headquarters is located at 6720 N. Scottsdale Road, Suite 390, Scottsdale, AZ 85253. We lease approximately 9,000 square feet of corporate office space in Scottsdale.

We believe that all facilities are in good operating condition, the machinery and equipment are well-maintained, the facilities are suitable for their intended purposes and they have capacities adequate for current operations.

The properties are covered by insurance but insurance for the properties located in Louisiana is subject to high deductibles and limitations on damages due to tropical storms.

ITEM 3. LEGAL PROCEEDINGS

Various lawsuits, claims, proceedings and investigations are pending involving us as described below in this section. When applicable, we record accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. In addition to the matters described herein, we are involved in or subject to, or may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which in our opinion will not have a material adverse effect on our financial condition, cash flows or results of operations.

Irgovel Purchase

On August 28, 2008, former Irgovel stockholder David Resyng filed an indemnification suit against Irgovel, Osmar Brito and the remaining former Irgovel stockholders (Sellers), requesting: (i) the freezing of the escrow account maintained in connection with the transfer of Irgovel's corporate control to us and the presentation of all documentation related to the transaction, and (ii) damages in the amount of the difference between (a) the sum received by David Resyng in connection with the judicial settlement agreement executed in the action for the partial dissolution of the limited liability company filed by David Resyng against Irgovel and the Sellers and (b) the amount received by the Sellers in connection with the sale of Irgovel's corporate control to us, in addition to moral damages as

determined in the court's discretion. The amount of damage claimed by Mr. Resyng is approximately \$3 million.

We believe that the filing of the above lawsuit is a fundamental default of the obligations undertaken by the Sellers under the Quotas Purchase Agreement for the transfer of Irgovel's corporate control, executed by and among the Sellers and us on January 31, 2008 (Purchase Agreement). Consequently, we believe that the responsibility for any indemnity, costs and expenses incurred or that may come to be incurred by Irgovel and/or us in connection with the above lawsuit is the sole responsibility of the Sellers.

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On February 6, 2009, the Sellers filed a collection lawsuit against us seeking payment of the second installment of the purchase price under the Purchase Agreement, which the Sellers allege is approximately \$1.0 million. We have withheld payment of the second installment pending resolution of the Resyng lawsuit noted above. Our parent company has not been served with any formal notices in regard to this matter. To date, only Irgovel has received formal legal notice. In addition, the Purchase Agreement requires that all disputes between us and the Sellers be adjudicated through arbitration. On October 29, 2010, we initiated an arbitration proceeding against the Sellers for breaches of the Purchase Agreement, including claims related to Sellers' handling of the Resyng claim and whether any future payments are required under the Purchase Agreement. On February 25, 2015, the arbitration panel issued its opinion and ordered the Sellers to pay Irgovel and us R\$3.6 million plus arbitration fees, legal fees, and interest. We are currently seeking to confirm and obtain a final award in Brazil.

As part of the Purchase Agreement, \$2.0 million was deposited into an escrow account to cover contingencies with the net remaining funds payable to the Sellers upon resolution of all contingencies. As of December 31 2014 and 2013, the balance in the escrow account was \$1.9 million and is included in restricted cash in our balance sheets. There is an escrow liability related to the lawsuit in accrued expenses on our balance sheets as of December 2014 and 2013, totaling \$1.6 million. When the escrow account was funded, we established an accrued liability equal to the amount of the escrow for contingencies and the net balance due to the Sellers under the terms of the Purchase Agreement. As of December 31, 2014, \$0.5 million of pre-acquisition contingencies have either been paid or specifically identified and accrued, leaving a balance of \$1.6 million to settle any remaining contingencies. We believe that there is no additional material exposure as any amounts determined to be owed as a result of the above noted litigation and contingencies will be covered by the escrow account. If and when received, we agreed to pay to Nutra SA ninety percent of any funds received from the escrow account or treat the funds retained as a distribution from Nutra SA and reduce our ownership percentage accordingly.

Diabco Life Sciences, LLC

In January 2012, we filed a complaint in the Superior Court of California, Sacramento County, seeking damages arising out of Diabco Life Sciences, LLC's (Diabco) breach of a 2008 promissory note in the principal amount of \$0.5 million. At trial in August 2013, Diabco stipulated that total damages through July 2013, including interest and late fees, amounted to \$0.9 million. In September 2013, the court issued its tentative statement of decision indicating that judgment will be entered in our favor in the amount of \$0.9 million as of July 2013, plus interest. In January 2014, the court issued its final judgment in the amount of \$1.0 million. Diabco filed a notice of appeal which was dismissed in October 2014. We have no receivable from Diabco recorded in the accompanying financial statements, as recovery of the judgment is not reasonably assured.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

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

Price Range of Common Stock

Our common stock is traded on the NASDAQ Capital Market under the symbol "RIBT." Our CUSIP No. is 762831-10-5. The following table sets forth the range of high and low sales prices for our common stock for the periods indicated below. The quotations below reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions. Through December 12, 2013, our common stock was quoted

on the OTCQB under the symbol "RIBT." All share and per share information in the table below reflects the one-for-200 reverse stock split which was effected on November 13, 2013. Our shares of common stock did not trade on a post-adjusted basis until the opening of the market on November 18, 2013.

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	Low	High
<u>2014</u>		
Fourth Quarter	\$3.74	\$5.31
Third Quarter	4.28	6.90
Second Quarter	3.56	7.45
First Quarter	4.05	6.95
<u>2013</u>		
Fourth Quarter	\$4.25	\$14.00
Third Quarter	4.00	14.00
Second Quarter	12.00	18.00
First Quarter	10.00	24.00

Holdings

As of March 31, 2015, there were approximately 280 holders of record and 9,300 beneficial owners of our common stock.

Dividends

We have never declared or paid any cash dividends on our common stock. We currently anticipate that we will retain all future earnings for the expansion and operation of our business and do not anticipate paying cash dividends in the foreseeable future. Cash provided by operations in our Brazil segment is generally unavailable for distribution to our Corporate and USA segments pursuant to the terms of the limited liability company agreement for Nutra SA, LLC.

Recent Sales of Unregistered Securities

During the quarter ended December 31, 2014, we issued the securities described below without registration under the Securities Act. Unless otherwise indicated below, the securities were issued pursuant to the private placement exemption provided by Section 4(2) of the Securities Act of 1933. All issuances below were made without any public solicitation, to a limited number of persons and were acquired for investment purposes only.

We issued the following shares of common stock under agreements with consultants and vendors as summarized in the table which follows.

Date of Issuance	Shares of Common Stock	Vesting Period
October 1, 2014	1,875	Immediate
December 31, 2014	3,200	Immediate

Share Repurchases

We did not repurchase any of our common stock in 2014.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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

The following discussion should be read in conjunction with the Consolidated Financial Statements and related notes thereto included in Item 8 of this Annual Report on Form 10-K.

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This discussion and analysis may contain “forward-looking statements.” These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include, without limitation, statements about our market opportunities, strategies, competition, and expected activities and expenditures and at times may be identified by the use of words such as “may,” “could,” “should,” “would,” “project,” “believe,” “anticipate,” “expect,” “plan,” “estimate,” “forecast,” “potential,” “intend,” “continue” and variations of these words and comparable words. Forward-looking statements inherently involve risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the risks described under “Risk Factors” in Item 1A. We undertake no obligation to update any forward-looking statements for revisions or changes after the filing date of this Annual Report on Form 10-K.

Basis of Presentation and Going Concern

In 2014, we continued to experience losses and negative cash flows from operations which raises substantial doubt about our ability to continue as a going concern. We believe that we will be able to obtain additional funds to operate our business, should it be necessary, however, there can be no assurances that our efforts will prove successful. The accompanying consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

As described further in Note 4 of our consolidated financial statements, in January 2014, we completed the acquisition of H&N Distribution, Inc., the operations of which are accretive to cash flows. Our Brazilian subsidiary, Irgovel, recently complete the final stages of a major capital expansion. Significant cash was used during the shutdown period. Operations at Irgovel are expected to normalize during the second quarter of 2015, such that Irgovel will then be operating at its newly increased capacity and begin generating cash from operations.

Segments

We have two reportable operating segments in 2014: (i) USA segment, which manufactures and distributes SRB (for human food ingredient and animal nutrition customers) and derivative products and (ii) Brazil segment, which extracts crude RBO and DRB from rice bran, which are then further processed into fully refined rice bran oil for sale internationally and in Brazil, compounded animal nutrition products and a number of valuable human food and animal nutrition products, derivatives and co-products. We incur corporate expenses not directly attributable to operating segments, which include costs related to our corporate staff, general and administrative expenses including public company expenses, intellectual property, professional fees, and other expenses. No corporate allocations, including interest, are made to the operating segments.

The combined operations of our USA and Brazil segments encompass our bio-refining approach to processing raw rice bran into various high quality, value-added constituents and finished products. Over the past decade, we have developed and optimized our proprietary bio-refining processes to support the production of healthy, natural, hypoallergenic, gluten free, and non-genetically modified ingredients and supplements for use in human meats, baked goods, cereals, coatings, health foods, nutritional supplements, nutraceuticals and high-end animal nutrition and health products.

The USA segment produces SRB inside two rice bran stabilization facilities, located within supplier rice mills in Arbuckle and West Sacramento, California, and one owned facility in Mermentau, Louisiana. At Dillon, Montana, the USA segment also produces our Stage II products including: RiSolubles, a highly nutritious, carbohydrate and lipid rich fraction of SRB; RiFiber, a fiber rich derivative of SRB, RiBalance, a complete rice bran nutritional package derived from further processing RiBalance, and ProRyza, protein-based products. “Stage II” refers to the proprietary processes run at our Dillon, Montana facility and describes products produced at that facility using our patented processes. The manufacturing facilities included in our USA segment have proprietary processing equipment and

process patented technology for the stabilization and further processing of rice bran into finished products. Beginning January 2, 2014, with the acquisition of HN, we also formulate and copack products at a leased facility in Irving Texas. We lease a facility in West Sacramento, California that houses a laboratory, warehouse and production facilities. We use an owned facility in Lake Charles, Louisiana, as a temporary warehouse. In 2014, approximately 83% of USA segment revenue is from sales of human nutrition products and the remainder was from sales of animal nutrition products.

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The Brazil segment consists of the consolidated operations of Nutra SA, whose only operating subsidiary is Irgovel, located in Pelotas, Brazil. Irgovel manufactures RBO and DRB products for both the human ingredient and animal nutrition markets in Brazil and internationally. In refining RBO to an edible grade, several co-products are obtained. One such product is distilled fatty acids, a valuable raw material for the detergent industry. Irgovel also produces rice lecithin, which has application in human nutrition, animal nutrition and industrial applications. DRB is compounded with a number of other ingredients to produce complex animal nutrition products which are packaged and sold under Irgovel brands in the Brazilian market, sold as a raw material for further processing into human food ingredients or sold in bulk into the animal nutrition markets in Brazil and neighboring countries. In 2014, approximately 39% of Brazil segment product revenue was from sales of RBO products and the remainder was from sales of DRB products. Irgovel, however, was shut down for a portion of 2014 to complete the final stages of a capital expansion project, which caused a temporary change in sales mix. We expect RBO sales to return to historical levels, approximately 45% of product revenues, in the near future.

Results of Operations

Consolidated net loss attributable to RiceBran Technologies shareholders for 2014 was \$23.0 million, or \$3.96 per share, compared to \$15.0 million, or \$12.95 per share in 2013.

Revenue and Gross Profit

Revenues (in thousands):

	2014	% of Total Revenues	2013	% of Total Revenues	Change	% Change
USA segment	\$23,096	57.6	\$12,023	34.3	\$11,073	92.1
Brazil segment	17,012	42.4	23,028	65.7	(6,016)	(26.1)
Total revenues	\$40,108	100.0	\$35,051	100.0	\$5,057	14.4

Consolidated revenues for 2014, were \$40.1 million compared to \$35.1 million in 2013, an increase of \$5.1 million, or 14.4%.

USA segment revenues increased \$11.1 million, or 92.1%, in 2014 compared to 2013. Animal feed product revenues decreased \$1.7 million on lower volume while human nutrition product revenues increased \$12.7 million, in large part due to increased sales in the human functional food market as a result of the acquisition of HN. The decline in animal feed revenue was primarily attributable to reduced sales to two large, but low margin customers. We continue to focus on increasing the higher margin human nutrition product revenues.

Brazil segment revenues decreased \$6.0 million, or 26.1%, in 2014 compared to 2013. Revenues decreased \$1.7 million as a result of the 8.9% decrease in the average foreign currency translation rate between these periods. On a local currency basis, prior to translation into U.S. Dollars, Brazil segment revenues decreased 18.9% year over year. Revenues were negatively affected by the Irgovel plant shut down that began in January 2014. The plant was shut down until April 2014 for expansion of the rice bran oil extractor, the key functional part of the plant, as well as installation of a new desolventizing/toasting system. Production began again in April 2014 on a limited basis. During the 2014 first quarter, inventory available for sale was limited to certain animal feed products that utilized DRB that had been stockpiled prior to the shutdown. During the 2014 third quarter, Irgovel experienced production downtimes due to an equipment failure and experienced difficulty procuring raw bran as a result of disengaging with bran suppliers during the prolonged shut down period and working capital issues, which reduced production and product available for sale. Additionally, Irgovel shut down for two weeks in December 2014 for annual maintenance and resumed operations in January 2015, however, it has not yet consistently operated at its new increased capacity for a

30 day period due to an equipment failure in January 2015 and disruptions related to national transportation strikes in February 2015 which limited Irgovel's ability to receive raw rice bran and ship product to customers.

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Gross profit (in thousands):

	2014	Gross Profit %	2013	Gross Profit %	Change	Change in Gross Profit %
USA segment	\$6,972	30.2	\$2,945	24.5	\$4,027	5.7
Brazil segment	(2,503)	(14.7)	1,000	4.3	(3,503)	(19.0)
Total gross profit	\$4,469	11.1	\$3,945	11.3	\$524	(0.1)

Consolidated gross profit in 2014 increased \$0.5 million, to \$4.5 million for 2014 compared to \$3.9 million in 2013.

The USA segment gross profit increased \$4.0 million, to \$7.0 million in 2014. The improvement was attributable to increased human nutrition product revenues derived from the acquisition of HN and the resulting shift in sales mix from animal to human.

Brazil segment gross profit declined \$3.5 million between years. As noted previously, the Irgovel plant was shut down in January 2014. Production began again at the beginning of the second quarter on a limited basis. Processing levels are expected to consistently reach approximately 150% of pre-expansion raw bran processing levels in the second quarter of 2015. The amount of raw bran processed in 2014 was 21.2% lower than 2013 due to the shutdown and subsequent restart issues.

Operating Expenses (in thousands):

	2014			
	Corporate	USA	Brazil	Consolidated
Selling, general and administrative	\$5,941	\$4,133	\$4,280	\$ 14,354
Depreciation and amortization	52	2,137	690	2,879
Total operating expenses	\$5,993	\$6,270	\$4,970	\$ 17,233

	2013			
	Corporate	USA	Brazil	Consolidated
Selling, general and administrative	\$5,918	\$2,006	\$4,442	\$ 12,366
Depreciation and amortization	24	469	756	1,249
Impairment of property	-	300	-	300
Total operating expenses	\$5,942	\$2,775	\$5,198	\$ 13,915

	Favorable (Unfavorable) Change			
	Corporate	USA	Brazil	Consolidated
Selling, general and administrative	\$(23)	\$(2,127)	\$ 162	\$ (1,988)
Depreciation and amortization	(28)	(1,668)	66	(1,630)
Impairment of property	-	300	-	300
Total operating expenses	\$(51)	\$(3,495)	\$ 228	\$ (3,318)

Consolidated operating expenses were \$17.2 million for 2014, compared to \$13.9 million for 2013, an increase of \$3.3 million.

Corporate segment selling, general and administrative expenses (SG&A) were relatively the same in 2014 and 2013. SG&A in 2014 included \$0.3 of acquisition costs related to the closing of the HN acquisition in January 2014. This

expense was offset by reductions in other expenses between years, primarily bonuses.

USA segment SG&A expenses increased \$2.1 million year over year. Additional expenses related to the operations and management of HN, acquired in January 2014, were approximately \$0.9 million. The prior year period included a \$0.3 million gain on sale of property. The remainder of the increase related primarily to increased travel, salary, wages and benefits expenses.

Brazil segment SG&A decreased \$0.3 million as a result of the decline in the average foreign exchange rate between periods. The reduction was offset by a \$0.1 million increase in losses on property disposals.

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USA segment depreciation and amortization expense increased \$1.7 million due to amortization of a customer relationship intangible asset of \$3.8 million established in January 2014 upon the acquisition of HN. The intangible is amortizing on an accelerated basis over a three year period.

Other Income (Expense) (in thousands):

	2014			
	Corporate	USA	Brazil	Consolidated
Interest income	\$-	\$ -	\$115	\$ 115
Interest expense	(7,949)	-	(2,385)	(10,334)
Change in fair value of derivative warrant and conversion liabilities	(1,209)	-	-	(1,209)
Financing expense	(2,072)	-	-	(2,072)
Loss on extinguishment	(906)	-	-	(906)
Foreign currency exchange, net	-	-	(174)	(174)
Other	-	-	(587)	(587)
Other income (expense)	\$(12,136)	\$ -	\$(3,031)	\$(15,167)

	2013			
	Corporate	USA	Brazil	Consolidated
Interest income	\$-	\$ -	\$109	109
Interest expense	(1,950)	-	(1,984)	(3,934)
Change in fair value of derivative warrant and conversion liabilities	(1,029)	-	-	(1,029)
Financing expense	(564)	-	-	(564)
Loss on extinguishment	(2,891)	-	-	(2,891)
Foreign currency exchange, net	-	-	(440)	(440)
Other	(41)	-	(319)	(360)
Other income (expense)	\$(6,475)	\$ -	\$(2,634)	\$(9,109)

	Favorable (Unfavorable) Change			
	Corporate	USA	Brazil	Consolidated
Interest income	\$-	\$ -	\$6	\$ 6
Interest expense	(5,999)	-	(401)	(6,400)
Change in fair value of derivative warrant and conversion liabilities	(180)	-	-	(180)
Financing expense	(1,508)	-	-	(1,508)
Loss on extinguishment	1,985	-	-	1,985
Foreign currency exchange, net	-	-	266	266
Other	41	-	(268)	(227)
Other income (expense)	\$(5,661)	\$ -	\$(397)	\$(6,058)

Consolidated other expense was \$15.2 million for 2014 compared to other expense of \$9.1 million for 2013.

The Corporate segment experienced a \$6.0 million increase in interest expense. The convertible notes issued in the March 2014 and May 2014 private placement offering closings, automatically converted into common stock in May 2014 upon shareholders approving an increase in our authorized shares of common stock. When the notes converted, we recognized a noncash charge for interest expense of \$6.1 million, to accrete the notes to their face value, and increased equity \$6.1 million.

The Corporate segment also experienced a \$0.2 million increase in expense from the change in the fair value of derivative warrant and conversion liabilities. Our liability warrants and conversion liabilities are valued using the lattice model each reporting period and the resulting change in fair value is recorded in the statements of operations.

The lattice model requires us to assess the probability of future issuance of equity instruments at a price lower than the current exercise price of the warrants and make certain other assumptions. Beginning in the third quarter of 2014 we had no remaining conversion liabilities.

Corporate segment financing expense increased \$1.5 million. In 2014, the \$2.1 million of financing expense was associated with the March 2014 and May 2014 private placement issuance of convertible notes and related warrants and represented the excess of the values assigned to the equity warrants and derivative liability warrants, at issuance, over the net proceeds from issuance, as described further in Note 10 to the consolidated financial statements.

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Corporate segment loss on extinguishment decreased \$2.0 million between periods. In 2014, the \$0.9 million of loss on extinguishment in the second quarter was a result of the conversion of the notes payable issued in connection with the HN acquisition. Upon conversion we recognized the difference between the fair value of the shares issued (\$3.9 million) and the carrying amount of the notes (\$2.4 million) and related conversion feature (\$0.6 million), as described further in Note 10 to the consolidated financial statements.

Liquidity and Capital Resources

With respect to liquidity and capital resources, we manage the Brazil segment, consisting currently of our plant in Brazil, separately from our U.S. based Corporate and USA segments. Cash on hand at our Brazil segment is generally unavailable for distribution to our Corporate and USA segments pursuant to the terms of the limited liability company agreement for Nutra SA. Cash used in operating activities for 2014 and 2013, is presented below (in thousands).

	2014		
	Corporate and USA	Brazil	Consolidated
Net loss	\$(16,123)	\$(10,504)	\$ (26,627)
Adjustments to reconcile net loss to net cash used in operations:			
Depreciation and amortization	3,211	3,338	6,549
Change in fair value of derivative warrant and conversion liabilities	1,209	-	1,209
Loss on extinguishment	906	-	906
Financing expense	2,072	-	2,072
Interest accreted	7,058	-	7,058
Other adjustments, net	(441)	286	(155)
Changes in operating asset and liabilities:	(797)	(282)	(1,079)
Net cash used in operating activities	\$(2,905)	\$(7,162)	\$ (10,067)
	2013		
	Corporate and USA	Brazil	Consolidated
Net loss	\$(12,248)	\$(5,392)	\$ (17,640)
Adjustments to reconcile net loss to net cash used in operations:			
Depreciation and amortization	1,419	2,629	4,048
Change in fair value of derivative warrant and conversion liabilities	1,029	-	1,029
Loss on extinguishment	2,891	-	2,891
Financing expense	564	-	564
Impairment of property	300	-	300
Interest accreted	315	-	315
Other adjustments, net	605	(1,157)	(552)
Changes in operating asset and liabilities:	1,486	2,357	3,843
Net cash used in operating activities	\$(3,639)	\$(1,563)	\$ (5,202)

On a combined basis, the Corporate and USA segments used \$2.9 million of cash in operating activities in 2014. We expect USA cash flows will improve in 2015 as a result of the acquisition of HN in January 2014. During 2014, we paid \$0.3 million in HN acquisition costs which are included in cash flows from operations. We will not incur HN acquisition and integration costs in 2015.

The Brazil segment used \$7.2 million in operating cash in 2014, compared to \$1.6 million of operating cash used in 2013. Facility shut down and subsequent restart expenses, as well as lack of adequate working capital in some periods, adversely affected our operating results in 2014. Irgovel completed the final stages of a capital expansion

project involving installation of new equipment and improvements to existing infrastructure. As a result of the project, the Irgovel facility was shutdown approximately ten weeks in the first quarter of 2014, while certain new equipment was brought on line. Upon restarting the plant in April, the plant experienced excessive downtime and inefficiencies during the “debugging” of plant production processes. Where possible, we stockpiled certain inventory for sale during the period the plant was shut down. However, this inventory was not adequate to timely fulfill all outstanding orders during this period. In addition, Irgovel shut down for two weeks in December 2014 for annual maintenance and resumed operations in January 2015, however, it has not yet consistently operated at its new increased capacity for a 30 day period due to an equipment failure in January 2015 and disruptions related to national transportation strikes in February 2015 which limited Irgovel’s ability to receive raw rice bran and ship products to customers. Processing levels are expected to consistently reach approximately 150% of pre-expansion raw bran processing levels consistently in the second quarter of 2015.

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Investing Activities

During 2014, the Corporate segment made additional investments in Nutra SA (Brazil segment) of \$10.2 million, and in the period from January 1, 2015 to March 31, 2015, invested an additional \$1.1 million. We expect to provide additional equity to the Brazil segment through the second quarter of 2015 depending upon Irgovel's operating performance and economic conditions in Brazil.

Financing Activities

In 2014, proceeds from public and private offerings, net of cash costs, totaled \$18.7 million. During the first quarter of 2014, we paid \$0.5 million to redeem stock which had been issued to a lender in payment of fees. In the second quarter of 2014, we paid our secured debt in full. On May 31, 2014, all of our convertible debt outstanding, with a face amount of \$9.4 million, converted into shares of our common stock and as of December 31, 2014, no convertible debt remains outstanding. We believe that more traditional commercial bank debt financing at significantly lower interest rates may be available as our performance improves in 2015.

Off-Balance Sheet Arrangements

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing and liquidity support or market risk or credit support risk to us.

Critical Accounting Policies

Principles of Consolidation – The consolidated financial statements include the accounts of RiceBran Technologies and all subsidiaries in which we have a controlling interest. All significant inter-company accounts and transactions are eliminated in consolidation. Noncontrolling interests in our subsidiaries are recorded net of tax as net earnings (loss) attributable to noncontrolling interests.

Accounts Receivable and Allowance for Doubtful Accounts – Accounts receivable represent amounts receivable on trade accounts. The allowance for doubtful accounts is based on our assessment of the collectability of customer accounts and the aging of accounts receivable. We analyze the aging of customer accounts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment patterns when evaluating the adequacy of the allowance for doubtful accounts. From period to period, differences in judgments or estimates utilized may result in material differences in the amount and timing of the provision for doubtful accounts. We periodically evaluate our credit policy to ensure that the customers are worthy of terms and support our business plans.

Inventories - Inventories are stated at the lower of cost or market, with cost determined by the first-in, first-out method. In the USA segment, we employ a full absorption procedure using standard cost techniques. The standards are customarily reviewed and adjusted annually so that they are materially consistent with actual purchase and production costs. In the Brazil segment we use actual average purchase and production costs. Provisions for potentially obsolete or slow moving inventory are made based upon our analysis of inventory levels, historical obsolescence and future sales forecasts.

Long-Lived Assets, Intangible Assets and Goodwill – Long-lived assets, consisting primarily of property, intangible assets, and goodwill, comprise a significant portion of our total assets. Property is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives. Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Gains or losses on the sale of property and equipment are reflected in the statements of operations. Intangible assets are

stated at cost less accumulated amortization.

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We test goodwill and other indefinite-lived intangible assets for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. Our annual qualitative or quantitative assessments involve determining an estimate of the fair value of our reporting units in order to evaluate whether an impairment of the current carrying amount of goodwill and other indefinite-lived intangible assets exists. A qualitative assessment evaluates whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step quantitative goodwill impairment test. The first step of a quantitative goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired, and, thus, the second step of the quantitative impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the quantitative goodwill impairment test is performed to measure the amount of impairment loss, if any. Fair values are derived based on an evaluation of past and expected future performance of our reporting units.

In assessing the recoverability of goodwill, we make estimates and assumptions about sales, operating margin, terminal growth rates and discount rates based on our budgets, business plans, economic projections, anticipated future cash flows and marketplace data. While our annual impairment testing as of December 31, 2014, supported the carrying amount of goodwill, we may be required to reevaluate the carrying amount in future periods, thus utilizing different assumptions that reflect the then current market conditions and expectations, and, therefore, we could conclude that an impairment has occurred.

We review our long-lived assets, which include intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the undiscounted future cash flows estimated to be generated by the asset to be held and used are not sufficient to recover the unamortized balance of the asset. An impairment loss is recognized based on the difference between the carrying values and estimated fair value. The estimated fair value is determined based on either the discounted future cash flows or other appropriate fair value methods with the amount of any such deficiency charged to operations in the current year. Estimates of future cash flows are based on many factors, including current operating results, expected market trends and competitive influences. We also evaluate the amortization periods assigned to its intangible assets to determine whether events or changes in circumstances warrant revised estimates of useful lives. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value, less estimated costs to sell.

Revenue Recognition – We recognize revenue for product sales when title and risk of loss pass to our customers, generally upon shipment for USA segment customers and Brazil segment international customers and upon customer receipt for Brazil segment domestic customers. Each transaction is evaluated to determine if all of the following four criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred; (iii) the selling price is fixed and determinable; and (iv) collectability is reasonably assured. If any of the above criteria cannot be satisfied then such a transaction is not recorded as revenue, or is recorded as deferred revenue and recognized only when the sales cycle is complete and payment is either received or becomes reasonably assured. Changes in judgments and estimates regarding the application of the above mentioned four criteria might result in a change in the timing or amount of revenue recognized by such transactions.

We make provisions for estimated returns, discounts and price adjustments when they are reasonably estimable. Revenues on the statements of operations are net of provisions for estimated returns, routine sales discounts, volume allowances and adjustments. Revenues on the statements of operations are also net of taxes collected from customers and remitted to governmental authorities.

Amounts billed to a customer in a sale transaction related to shipping costs are reported as revenues and the related costs incurred for shipping are included in cost of goods sold.

Derivative Warrant Liabilities – We have certain warrant agreements in effect that contain antidilution clauses. Under these clauses, we may be required to lower the exercise price on these warrants and issue additional warrants based on future issuances of our common stock and awards of options to employees, additional issuance of warrants and/or other convertible instruments below certain exercise prices. We account for the warrants with these antidilution clauses as liability instruments. These warrants are valued using the lattice model each reporting period and the resultant change in fair value is recorded in the statements of operations in other income (expense).

Share-Based Compensation – Share-based compensation expense for employees is calculated at the grant date using the Black-Scholes-Merton valuation model based on awards ultimately expected to vest, reduced for estimated forfeitures, and expensed on a straight-line basis over the service period of the grant. Forfeitures are estimated at the time of grant based on our historical forfeiture experience and are revised in subsequent periods if actual forfeitures differ from those estimates. The Black-Scholes-Merton option pricing model requires us to estimate key assumptions such as expected life, volatility, risk-free interest rates and dividend yield to determine the fair value of share-based awards, based on both historical information and management’s judgment regarding market factors and trends. We treat options granted to employees of foreign subsidiaries as equity options. We will use alternative valuation models if grants have characteristics that cannot be reasonably estimated using the Black-Scholes-Merton model.

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We account for share-based compensation awards granted to non-employees and consultants by determining the fair value of the awards granted at either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured. Generally we value options granted to non-employees and consultants using the Black-Scholes-Merton valuation model. If the fair value of the equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of (i) the date at which a commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete. The expense associated with stock awards issued to consultants or other third parties are recognized over the term of service. In the event services are terminated early or we require no specific future performance, the entire amount is expensed. The value is re-measured each reporting period over the requisite service period.

Income Taxes – We account for income taxes by recording a deferred tax asset or liability for the recognition of future deductible or taxable amounts and operating loss and tax credit carryforwards. Deferred tax expense or benefit is recognized as a result of timing differences between the recognition of assets and liabilities for financial reporting and tax purposes during the year.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards. A valuation allowance is established, when necessary, to reduce that deferred tax asset if it is more likely than not that the related tax benefits will not be realized.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the uncertainty inherent in such estimates, actual results could differ from those estimates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
RiceBran Technologies
Scottsdale, Arizona

We have audited the accompanying consolidated balance sheet of RiceBran Technologies (the Company) as of December 31, 2014, and the related consolidated statements of operations, comprehensive loss, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations resulting in an accumulated deficit of \$242.5 million at December 31, 2014. This factor among other things, raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Marcum, LLP

Marcum, LLP
New York, NY
March 31, 2015

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
RiceBran Technologies
Scottsdale, Arizona

We have audited the accompanying consolidated balance sheet of RiceBran Technologies (the Company) as of December 31, 2013, and the related consolidated statements of operations, comprehensive loss, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 the Company at December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations. This factor among other things, raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BDO USA, LLP

Phoenix, Arizona
March 31, 2014

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RiceBran Technologies

Consolidated Balance Sheets

December 31, 2014 and 2013

(in thousands, except share amounts)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$3,610	\$5,091
Restricted cash	1,920	1,920
Accounts receivable, net of allowance for doubtful accounts of \$574 and \$501 (variable interest entity restricted \$1,980 and \$1,967)	3,055	2,673
Inventories	3,508	2,430
Operating taxes recoverable	737	585
Deferred tax asset	171	-
Deposits and other current assets	1,071	833
Total current assets	14,072	13,532
Property, net (variable interest entity restricted \$3,727 and \$4,969)	24,753	24,958
Goodwill	4,431	4,139
Intangible assets, net	2,740	1,417
Other long-term assets	88	532
Total assets	\$46,084	\$44,578
LIABILITIES, TEMPORARY EQUITY AND EQUITY		
Current liabilities:		
Accounts payable	\$3,286	\$4,489
Accrued salary, wages and benefits	2,206	2,610
Accrued expenses	4,257	3,089
Other liabilities	573	523
Current maturities of debt (variable interest entity nonrecourse \$4,758 and \$6,262)	4,808	8,250
Total current liabilities	15,130	18,961
Long-term debt, less current portion (variable interest entity nonrecourse \$6,203 and \$6,658)	11,288	10,919
Derivative warrant liabilities	955	1,685
Deferred tax liability	396	-
Total liabilities	27,769	31,565
Commitments and contingencies		
Temporary Equity - Redeemable noncontrolling interest in Nutra SA	2,643	7,177
Equity:		
Equity attributable to RiceBran Technologies shareholders:		
Preferred stock, 20,000,000 shares authorized and none issued	-	-
Common stock, no par value, 25,000,000 shares authorized, 9,383,571 and 2,832,014 shares issued and outstanding	261,299	227,513
Accumulated deficit	(242,470)	(219,441)
Accumulated other comprehensive loss	(3,157)	(2,236)
Total equity attributable to RiceBran Technologies shareholders	15,672	5,836
Total liabilities, temporary equity and equity	\$46,084	\$44,578

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RiceBran Technologies
 Consolidated Statements of Operations
 Years Ended December 31, 2014 and 2013
 (in thousands, except share and per share amounts)

	2014	2013
Revenues	\$40,108	\$35,051
Cost of goods sold	35,639	31,106
Gross profit	4,469	3,945
Operating expenses:		
Selling, general and administrative	14,354	12,366
Depreciation and amortization	2,879	1,249
Impairment of property	-	300
Total operating expenses	17,233	13,915
Loss from operations	(12,764)	(9,970)
Other income (expense):		
Interest income	115	109
Interest expense - accreted on debt converted to equity	(6,323)	-
Interest expense - other	(4,011)	(3,934)
Change in fair value of derivative warrant and conversion liabilities	(1,209)	(1,029)
Financing expense	(2,072)	(564)
Loss on extinguishment	(906)	(2,891)
Foreign currency exchange, net	(174)	(440)
Other income	12	13
Other expense	(599)	(373)
Total other income (expense)	(15,167)	(9,109)
Loss before income taxes	(27,931)	(19,079)
Income tax benefit	1,304	1,439
Net loss	(26,627)	(17,640)
Net loss attributable to noncontrolling interest in Nutra SA	3,598	2,619
Net loss attributable to RiceBran Technologies shareholders	\$(23,029)	\$(15,021)
Loss per share attributable to RiceBran Technologies shareholders		
Basic	\$(3.96)	\$(12.95)
Diluted	\$(3.96)	\$(12.95)
Weighted average number of shares outstanding		
Basic	5,809,364	1,160,196
Diluted	5,809,364	1,160,196

See Notes to Consolidated Financial Statements

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RiceBran Technologies
 Consolidated Statements of Comprehensive Loss
 Years ended December 31, 2014 and 2013
 (in thousands)

	2014	2013
Net loss	\$(26,627)	\$(17,640)
Other comprehensive loss - foreign currency translation, net of tax	(1,404)	(1,362)
Comprehensive loss, net of tax	(28,031)	(19,002)
Comprehensive loss attributable to noncontrolling interest, net of tax	4,081	3,285
Total comprehensive loss attributable to RiceBran Technologies shareholders	\$(23,950)	\$(15,717)

See Notes to Consolidated Financial Statements

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RiceBran Technologies
 Consolidated Statements of Changes in Equity
 Years Ended December 31, 2014 and 2013
 (in thousands, except share amounts)

	Common Stock		Accumulated	Accumulated Other Comp- rehensive	Total
	Shares	Amount	Deficit	Loss	Equity
Balance, January 1, 2013	1,038,080	\$210,396	\$ (204,420)	\$ (1,540)	\$4,436
Share-based compensation, employees and directors	-	538	-	-	538
Stock and warrant offering proceeds, net	1,714,286	7,617	-	-	7,617
Conversion of senior debenture	28,429	500	-	-	500
Common stock issued for fees and services	48,556	744	-	-	744
Warrants issued for fees and services	-	204	-	-	204
Future shares issuance in the exchange for warrants	-	7,514	-	-	7,514
Reverse split, impact of rounding	2,663	-	-	-	-
Foreign currency translation	-	-	-	(696)	(696)
Net loss	-	-	(15,021)	-	(15,021)
Balance, December 31, 2013	2,832,014	227,513	(219,441)	(2,236)	5,836
Share-based compensation, employees and directors	281,620	729	-	-	729
Stock and warrant offering proceeds, net	2,786,781	13,296	-	-	13,296
Warrant issued in private placement offering	-	430	-	-	430
Issuance of shares to former warrant holders and a note holder	1,688,985	-	-	-	-
Debt conversions	1,724,461	10,109	-	-	10,109
Change in classification of warrants to equity from liability	-	8,902	-	-	8,902
Other	69,710	320	-	-	320
Foreign currency translation	-	-	-	(921)	(921)
Net loss	-	-	(23,029)	-	(23,029)
Balance, December 31, 2014	9,383,571	\$261,299	\$ (242,470)	\$ (3,157)	\$15,672

See Notes to Consolidated Financial Statements

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RiceBran Technologies
 Consolidated Statements of Cash Flows
 Years Ended December 31, 2014 and 2013
 (in thousands)

	2014	2013
Cash flow from operating activities:		
Net loss	\$(26,627)	\$(17,640)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,956	3,025
Amortization	2,593	1,023
Provision for doubtful accounts receivable	251	226
Share-based compensation, employees and directors	729	538
Interest accreted	7,058	315
Change in fair value of derivative warrant and conversion liabilities	1,209	1,029
Loss on extinguishment	906	2,891
Financing expense	2,072	564
Impairment of property	-	300
Deferred tax benefit	(1,304)	(1,248)
Other	169	(68)
Changes in operating assets and liabilities:		
Accounts receivable	(766)	256
Inventories	(138)	(561)
Accounts payable and accrued expenses	(215)	3,383
Other	40	765
Net cash used in operating activities	(10,067)	(5,202)
Cash flows from investing activities:		
Acquisition of HN, net of cash acquired	(725)	-
Purchases of property	(5,423)	(3,119)
Proceeds from sales of property	23	829
Payment for license	-	(1,200)
Net cash used in investing activities	(6,125)	(3,490)
Cash flows from financing activities:		
Payments of debt	(18,971)	(18,404)
Proceeds from issuance of debt	15,699	20,218
Proceeds from issuance of convertible debt and related warrants, net of costs	5,379	575
Proceeds from issuance of common stock and warrants, net of costs	13,296	7,617
Proceeds from sale of membership interests in Nutra SA, net of costs	120	1,200
Proceeds from sale of membership interests in RBT PRO, net of costs	-	1,200
Change in accumulated Yield in Nutra SA	(573)	-
Other	124	408
Net cash provided by financing activities	15,074	12,814
Effect of exchange rate changes on cash and cash equivalents	(363)	(71)
Net change in cash and cash equivalents	(1,481)	4,051
Cash and cash equivalents, beginning of year	5,091	1,040
Cash and cash equivalents, end of year	\$3,610	\$5,091
Supplemental disclosures:		
Cash paid for interest	\$2,628	\$2,537
Cash paid for income taxes	-	-

See Notes to Consolidated Financial Statements

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RiceBran Technologies

Notes to Consolidated Financial Statements

NOTE 1. LIQUIDITY, MANAGEMENT PLANS AND GENERAL BUSINESS

Liquidity and Management's Plans

In 2014, we continued to experience losses and negative cash flows from operations which raises substantial doubt about our ability to continue as a going concern. We believe that we will be able to obtain additional funds to operate our business, should it be necessary, however, there can be no assurances that our efforts will prove successful. The accompanying consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

As described further in Note 4, in January 2014, we completed the acquisition of H&N Distribution, Inc. (HN), the operations of which are accretive to cash flows. Our Brazilian subsidiary, Industria Riograndens De Oleos Vegetais Ltda. (Irgovel), recently completed the final stages of a major capital expansion. Significant cash was used during the shutdown period. Operations at Irgovel are expected to normalize during the second quarter of 2015, such that Irgovel will then be operating at its newly increased capacity and begin generating cash from operations. However, there are no assurances that this will occur.

General Business

We are a human food ingredient, nutritional supplement and animal nutrition company focused on value-added processing and marketing of healthy, natural and nutrient dense products derived from raw rice bran an underutilized by-product of the rice milling industry. Using our bio-refining business model, we apply our proprietary and patented technologies and intellectual properties to convert raw rice bran into numerous high value products including stabilized rice bran (SRB), rice bran oil (RBO), defatted rice bran (DRB), RiBalance, a complete rice bran nutritional package derived from further processing of SRB; RiSolubles, a highly nutritious, carbohydrate and lipid rich fraction of RiBalance; RiFiber, a fiber rich insoluble derivative of RiBalance, and ProRyza, rice bran protein-based products, and a variety of other valuable derivatives extracted from these core products. Our target markets are natural food, functional food, nutraceutical supplement and animal nutrition manufacturers, wholesalers and retailers, both domestically and internationally.

We have two reportable operating segments: (i) USA segment, which manufactures and distributes SRB (for human food ingredient and animal nutrition customers) in various granulations along with Stage II products and derivatives and (ii) Brazil segment, which extracts crude RBO and DRB from rice bran, which are then further processed into fully refined rice bran oil for sale internationally and in Brazil, compounded animal nutrition products for horses, cows, swine, sheep and poultry and a number of valuable human food and animal nutrition products derivatives and co-products. Stage II refers to the proprietary processes run at our Dillon, Montana facility and includes products produced at that facility using our patented processes. In addition we incur corporate and other expenses not directly attributable to reportable operating segments, which include costs related to our corporate staff, general and administrative expenses including public company expenses, intellectual property, professional fees, and other expenses. No corporate allocations, including interest, are made to the reportable operating segments.

The combined operations of our USA and Brazil segments encompass our bio-refining approach to processing raw rice bran into various high quality, value-added constituents and finished products. Over the past decade, we have developed and optimized our proprietary bio-refining processes to support the production of healthy, natural, hypoallergenic, gluten free, and non-genetically modified ingredients and supplements for use in human meats, baked goods, cereals, coatings, health foods, nutritional supplements, nutraceuticals and high-end animal nutrition and health products.

In 2014, the USA segment produced SRB inside two supplier rice mills in California and our facility in Mermentau, Louisiana. A facility located in Lake Charles, Louisiana has been idle since May 2009. The USA segment also includes our Dillon, Montana Stage II facility which produces our Stage II products: RiBalance, a complete rice bran nutritional package derived from further processing of SRB; RiSolubles, a highly nutritious, carbohydrate and lipid rich fraction of RiBalance; RiFiber, a fiber rich insoluble derivative of RiBalance, and ProRyza, rice bran protein-based products, and a variety of other valuable derivatives extracted from these core products. The manufacturing facilities included in our USA segment have proprietary processing equipment and process patented technology for the stabilization and further processing of rice bran into finished products. In 2014, approximately 82% of USA segment revenue was from sales of human food products and the remainder was from sales of animal nutrition products.

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The Brazil segment consists of the consolidated operations of Nutra SA, whose only operating subsidiary is Irgovel, located in Pelotas, Brazil. Irgovel manufactures RBO and DRB products for both the human ingredient and animal nutrition markets in Brazil and internationally. In refining RBO to an edible grade, several co-products are obtained. One such product is distilled fatty acids, a valuable raw material for the detergent industry. Irgovel also produces rice lecithin, which has application in human nutrition, animal nutrition and industrial applications. DRB is compounded with a number of other ingredients to produce complex animal nutrition products which are packaged and sold under Irgovel brands in the Brazilian market, sold as a raw material for further processing into human food ingredients or sold in bulk into the animal nutrition markets in Brazil and neighboring countries. In 2014, approximately 39% of Brazil segment product revenue was from sales of RBO products and the remainder was from sales of DRB products. Irgovel, however, was shut down for a portion of 2014 to complete the final stages of a capital expansion project, which caused a temporary change in sales mix. We expect RBO sales to return to historical levels, approximately 45% of product revenues, in the near future.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of RiceBran Technologies and all subsidiaries in which we have a controlling interest. Variable interest in subsidiaries for which we are the primary beneficiary are consolidated. All significant inter-company accounts and transactions are eliminated in consolidation. Noncontrolling interests in our subsidiaries are recorded net of tax as net earnings (loss) attributable to noncontrolling interests.

Foreign Currencies - The consolidated financial statements are presented in our reporting currency, U.S. Dollars. The functional currency for Irgovel is the Brazilian Real. Assets and liabilities of Irgovel are translated into U.S. Dollars using the exchange rate in effect at the consolidated balance sheet date. Equity accounts are translated at historical rates, except for the change in accumulated deficit during the year, which is the result of the income statement translation process. Irgovel's revenues and expenses are translated using the average exchange rates in effect during the period. Translation differences are recorded in accumulated other comprehensive income (loss) as foreign currency translation. Gains or losses on transactions denominated in a currency other than Irgovel's functional currency which arise as a result of changes in foreign exchange rates are recorded as foreign exchange gain or loss in the statements of operations. As of March 31, 2015, the Brazilian Real has fallen against the U.S. Dollar since December 31, 2014, by approximately 17%.

Cash and Cash Equivalents – We consider all highly liquid investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents. As of December 31, 2014, we maintained our cash, including restricted cash, and cash equivalents, with major banks. We maintain cash in bank accounts in amounts which at times may exceed federally insured limits. We have not experienced any losses on such accounts.

Accounts Receivable and Allowance for Doubtful Accounts – Accounts receivable represent amounts receivable on trade accounts. The allowance for doubtful accounts is based on our assessment of the collectability of customer accounts and the aging of accounts receivable. We analyze the aging of customer accounts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment patterns when evaluating the adequacy of the allowance for doubtful accounts. From period to period, differences in judgments or estimates utilized may result in material differences in the amount and timing of the provision for doubtful accounts. We periodically evaluate our credit policy to ensure that the customers are worthy of terms and support our business plans.

Inventories - Inventories are stated at the lower of cost or market, with cost determined by the first-in, first-out method. In the USA segment, we employ a full absorption procedure using standard cost techniques. The standards

are customarily reviewed and adjusted annually so that they are materially consistent with actual purchase and production costs. In the Brazil segment we use actual average purchase and production costs. Provisions for potentially obsolete or slow moving inventory are made based upon our analysis of inventory levels, historical obsolescence and future sales forecasts.

Long-Lived Assets, Intangible Assets and Goodwill – Long-lived assets, consisting primarily of property, intangible assets, and goodwill, comprise a significant portion of our total assets. Property is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives. Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Gains or losses on the sale of property and equipment are reflected in the consolidated statements of operations. Intangible assets are stated at cost less accumulated amortization and are amortized over their useful life on a straight-line or accelerated basis.

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We test goodwill and other indefinite-lived intangible assets for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that may reduce the fair value of a reporting unit below its carrying value. Our annual qualitative or quantitative assessments involve determining an estimate of the fair value of our reporting units in order to evaluate whether an impairment of the current carrying amount of goodwill and other indefinite-lived intangible assets exists. A qualitative assessment evaluates whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step quantitative goodwill impairment test. The first step of a quantitative goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired, and, thus, the second step of the quantitative impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the quantitative goodwill impairment test is performed to measure the amount of impairment loss, if any. Fair values are derived based on an evaluation of past and expected future performance of our reporting units.

In assessing the recoverability of goodwill, we make estimates and assumptions about sales, operating margin, terminal growth rates and discount rates based on our budgets, business plans, economic projections, anticipated future cash flows and marketplace data. No impairment was deemed to exist as of December 31, 2014.

We review our long-lived assets, which include intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the undiscounted future cash flows estimated to be generated by the asset to be held and used are not sufficient to recover the unamortized balance of the asset. An impairment loss is recognized based on the difference between the carrying values and estimated fair value. The estimated fair value is determined based on either the discounted future cash flows or other appropriate fair value methods with the amount of any such deficiency charged to operations in the current year. Estimates of future cash flows are based on many factors, including current operating results, expected market trends and competitive influences. We also evaluate the amortization periods assigned to its intangible assets to determine whether events or changes in circumstances warrant revised estimates of useful lives. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value, less estimated costs to sell.

Revenue Recognition – We recognize revenue for product sales when title and risk of loss pass to our customers, generally upon shipment for USA segment customers and Brazil segment international customers and upon customer receipt for Brazil segment domestic customers. Each transaction is evaluated to determine if all of the following four criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred; (iii) the selling price is fixed and determinable; and (iv) collectability is reasonably assured. If any of the above criteria cannot be satisfied then such a transaction is not recorded as revenue, or is recorded as deferred revenue and recognized only when the sales cycle is complete and payment is either received or becomes reasonably assured. Changes in judgments and estimates regarding the application of the above mentioned four criteria might result in a change in the timing or amount of revenue recognized by such transactions.

We make provisions for estimated returns, discounts and price adjustments when they are reasonably estimable. Revenues on the statements of operations are net of provisions for estimated returns, routine sales discounts, volume allowances and adjustments. Revenues on the statements of operations are also net of taxes collected from customers and remitted to governmental authorities.

Amounts billed to a customer in a sale transaction related to shipping costs are reported as revenues and the related costs incurred for shipping are included in cost of goods sold.

Research and Development – Research and development expenses include internal and external costs. Internal costs include salaries and employment related expenses. External expenses consist of costs associated with product development. All such costs are charged to expense in the period they are incurred.

Derivative Conversion Liabilities – We had certain convertible debt outstanding that contained antidilution clauses. Under these clauses, we were required to lower the conversion price on the convertible debt based on certain issuances of our common stock, awards of options to employees, additional issuance of warrants and/or other convertible instruments below certain conversion prices. We accounted for the conversion liabilities associated with these antidilution clauses as liability instruments, separate from the host debt. The conversion liabilities were classified as debt on our consolidated balance sheets. These conversion liabilities were valued using the lattice model in each reporting period and the resultant change in fair value was recorded in the consolidated statements of operations in other income (expense). There were no derivative conversion liabilities at December 31, 2014.

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Derivative Warrant Liabilities – We have certain warrant agreements in effect that contain antidilution clauses. Under these clauses, we may be required to lower the exercise price on these warrants and issue additional warrants based on future issuances of our common stock and awards of options to employees, additional issuance of warrants and/or other convertible instruments below certain exercise prices. We account for the warrants with these antidilution clauses as liability instruments. These warrants are valued using the lattice model in each reporting period and the resultant change in fair value is recorded in the consolidated statements of operations in other income (expense).

Share-Based Compensation – Share-based compensation expense for employees is calculated at the grant date using the Black-Scholes-Merton valuation model based on awards ultimately expected to vest, reduced for estimated forfeitures, and expensed on a straight-line basis over the service period of the grant. Forfeitures are estimated at the time of grant based on our historical forfeiture experience and are revised in subsequent periods if actual forfeitures differ from those estimates. The Black-Scholes-Merton option pricing model requires us to estimate key assumptions such as expected life, volatility, risk-free interest rates and dividend yield to determine the fair value of share-based awards, based on both historical information and management’s judgment regarding market factors and trends. We will use alternative valuation models if grants have characteristics that cannot be reasonably estimated using the Black-Scholes-Merton model.

We account for share-based compensation awards granted to non-employees and consultants by determining the fair value of the awards granted at either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured. Generally we value options granted to non-employees and consultants using the Black-Scholes-Merton valuation model. If the fair value of the equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of (i) the date at which a commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete. The expense associated with stock awards issued to consultants or other third parties are recognized over the term of service. In the event services are terminated early or we require no specific future performance, the entire amount is expensed. The value is re-measured each reporting period over the requisite service period.

Income Taxes – We account for income taxes by recording a deferred tax asset or liability for the recognition of future deductible or taxable amounts and operating loss and tax credit carryforwards. Deferred tax expense or benefit is recognized as a result of timing differences between the recognition of assets and liabilities for financial reporting and tax purposes during the year.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards. A valuation allowance is established, when necessary, to reduce that deferred tax asset if it is more likely than not that the related tax benefits will not be realized.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the uncertainty inherent in such estimates, actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to amounts reported for the prior year to achieve consistent presentation with the current year.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance on revenue from contracts with customers, which supersedes current revenue recognition guidance and most industry-specific guidance. Under the new standard we will recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which we expect to be entitled in exchange for those goods or services. Revenue from a contract that contains multiple performance obligations will be allocated to each performance obligation generally on a relative standalone selling price basis. The guidance is effective for our annual and interim periods beginning in 2017. Early adoption is prohibited. We have not yet determined the impact that the new guidance will have on our results of operations and financial position and have not yet determined the method by which we will adopt the standard in 2017.

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In February 2015, the FASB issued guidance which makes targeted amendments to current consolidation guidance. Among other things, the standard changes the manner in which we would assess one of the characteristics of variable interest entities (VIEs) and introduces a separate analysis specific to limited partnerships and similar entities (such as Nutra SA) for assessing if the equity holders at risk lack decision making. Limited partnerships and similar entities will be a VIE unless the limited partners hold substantive kick-out rights or participating rights. A right to liquidate an entity is akin to a kick-out right. Guidance for limited partnerships under the voting model has been eliminated. A limited partner and similar partners with a controlling financial interest obtained through substantive kick out rights would consolidate a limited partnership or similar entity. The guidance is effective for our annual and interim periods beginning in 2016. Early adoption is allowed. We have not yet determined the impact that the new guidance will have on our results of operations and financial position and have not yet determined if we will early adopt the standard.

NOTE 3. LOSS PER SHARE (EPS)

Basic EPS is computed by dividing net income (loss) attributable to RiceBran Technologies shareholders by the weighted average number of common shares outstanding during all periods presented. Shares underlying options, warrants and convertible debt are excluded from the basic EPS calculation but are considered in calculating diluted EPS. Nonvested shares that vest solely on the basis of a service condition are not included in the denominator of the computation of basic EPS.

Diluted EPS is computed by dividing the net income attributable to RiceBran Technologies shareholders by the weighted average number of shares outstanding during the period increased by the number of additional shares that would have been outstanding if the impact of assumed exercises and conversions is dilutive. The dilutive effect of outstanding options and warrants is calculated using the treasury stock method. The dilutive effect of outstanding convertible debt is calculated using the if-converted method. Nonvested shares that vest solely on the basis of a service condition are included in the denominator of the computation of diluted EPS during their requisite service period under the treasury stock method.

Below are reconciliations of the numerators and denominators in the EPS computations.

	2014	2013
NUMERATOR (in thousands):		
Basic and diluted - net loss attributable to RiceBran Technologies shareholders	\$(23,029)	\$(15,021)
DENOMINATOR:		
Basic EPS - weighted average number of shares outstanding	5,809,364	1,160,196
Effect of dilutive securities outstanding	-	-
Diluted EPS - weighted average number of shares outstanding	5,809,364	1,160,196

Number of shares of common stock which could be purchased with weighted average outstanding securities not included in diluted EPS because effect would be

antidilutive-Stock options (average exercise price of \$18.56 and \$26.90)	201,584	179,493
Warrants (average exercise price of \$5.92 and \$17.71)	4,651,380	809,311
Convertible debt	-	414,683

Nonvested Stock	87,167	-
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The impacts of potentially dilutive securities outstanding at December 31, 2014 and 2013, were not included in the calculation of diluted EPS in 2014 and 2013 because to do so would be antidilutive. Those securities listed in the table above which were antidilutive in 2014 and 2013, which remain outstanding, could potentially dilute EPS in the future.

NOTE 4. HN ACQUISITION

In January 2014, we purchased all of the outstanding shares of HN for \$2.0 million in cash (\$1.8 million paid in January 2014 and \$0.2 million payable upon the resolution of certain contingencies) and promissory notes in the face amount of \$3.3 million, subject to working capital adjustments. HN is an Irving, Texas-based formulator and co-packer of products targeted at customers in the direct marketing, internet sales and retail distribution markets. HN serves the natural products, nutritional supplement, nutraceutical and functional food (NFF) sectors. We acquired HN as part of our strategy to vertically integrate our business in order to leverage our proprietary and patented technologies. The acquisition has been accounted for as a business combination. The results of HN's operations are included in our consolidated financial statements beginning January 2, 2014, and are included in our USA segment.

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In the first quarter of 2014, we incurred \$0.3 million of acquisition-related costs which are included in selling, general and administrative expenses in the consolidated statements of operations. The following table summarizes the aggregate purchase price allocation, the consideration transferred to acquire HN, as well as the amounts of identified assets acquired and liabilities assumed based on the estimated fair value as of the January 2, 2014, acquisition date (in thousands).

Cash	\$1,800
Cash holdback for contingencies	200
Convertible notes payable	2,785
Total fair value of consideration transferred	4,785
Financial assets, including acquired cash of \$1,075	1,314
Inventories	1,109
Property	963
Identified intangible asset	3,847
Deferred income taxes, net	(1,529)
Financial liabilities	(1,709)
Net recognized amounts of identifiable assets acquired	3,995
Goodwill - USA segment	\$790

The terms of the convertible notes payable are further discussed in Note 10. The fair value of trade receivables at January 2, 2014, was \$0.1 million which equaled the gross amount receivable. We assigned a \$3.8 million value to a customer relationship intangible and we are amortizing that intangible over a three-year period. In 2014, we recognized \$1.7 million of amortization expense in the USA segment related to this intangible and expect to recognize \$1.3 million in 2015 and \$0.9 million in 2016.

Our consolidated revenues include \$12.1 million of HN revenues for 2014. After making a reasonable effort, we have been unable to determine the underlying information required to prepare pro forma information for 2013, as if the HN acquisition had occurred January 1, 2013. After making a reasonable effort, we have been unable to determine net income (loss) attributable to HN resulting from it being fully integrated into the USA segment during 2014.

NOTE 5. REDEEMABLE NONCONTROLLING INTEREST IN NUTRA SA

We hold a variable interest which relates to our majority equity interest in Nutra SA, LLC (Nutra SA). We are the primary beneficiary of Nutra SA, and as such, Nutra SA's assets, liabilities and results of operations are included in our consolidated financial statements. The other equity holders' interests are reflected in net loss attributable to noncontrolling interest in Nutra SA, in the consolidated statements of operations, and redeemable noncontrolling interest in Nutra SA, in the consolidated balance sheets. Our variable interest in Nutra SA is our Brazil segment. A summary of the carrying amounts of Nutra SA balances included in our consolidated balance sheets follows (in thousands).

	December 31,	
	2014	2013
Cash and cash equivalents	\$269	\$1,686
Other current assets (restricted \$1,980 and \$1,967)	4,735	4,546
Property, net (restricted \$3,727 and \$4,969)	15,258	17,672
Goodwill and intangibles, net	3,722	4,812

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Other noncurrent assets	34	27
Total assets	\$24,018	\$28,743
Current liabilities	\$5,346	\$6,514
Current portion of long-term debt (nonrecourse)	4,758	6,262
Long-term debt, less current portion (nonrecourse)	6,203	6,658
Total liabilities	\$16,307	\$19,434

Nutra SA's debt is secured by its accounts receivable and property.

The non-Brazilian entities in our consolidated group do not guarantee any of Nutra SA's debt.

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A summary of changes in redeemable noncontrolling interest in Nutra SA follows (in thousands):

	2014	2013
Redeemable noncontrolling interest in Nutra SA, beginning of period	\$7,177	\$9,262
Investors' interest in net loss of Nutra SA	(3,598)	(2,619)
Investors' interest in accumulated other comprehensive loss of Nutra SA	(483)	(666)
Investors' purchase of additional units	120	1,200
Accumulated Yield classified as other current liability	(573)	-
Redeemable noncontrolling interest in Nutra SA, end of period	\$2,643	\$7,177
Investors' average interest in Nutra SA during the period	40.0 %	49.0 %
Investors' interest in Nutra SA as of period end	34.7 %	45.9 %

In December 2010, we entered into a membership interest purchase agreement (MIPA) with AF Bran Holdings-NL LLC and AF Bran Holdings LLC (Investors). The Investors' share of Nutra SA's net income (loss) increases (decreases) redeemable noncontrolling interest. We are restricted from competing with Nutra SA and Irgovel in Brazil as further described in the MIPA. In 2014 and 2013, we invested an additional \$10.3 million and \$3.9 million in Nutra SA.

Redeemable noncontrolling interest in Nutra SA is recorded in temporary equity, above the equity section and after liabilities on our consolidated balance sheets, because the Investors have drag along rights which provide the Investors the ability to force a sale of Nutra SA assets in the future. We have assessed the likelihood of the Investors exercising these rights as less than probable at December 31, 2014. We will continue to evaluate the probability of the Investors exercising their drag along rights each reporting period. We will begin to accrete the redeemable noncontrolling interest up to fair value if and when it is probable the Investors will exercise these rights.

Under the limited liability company agreement for Nutra SA (LLC agreement), as amended, any units held by the Investors beginning January 1, 2014, accrue a yield at 4% (the Yield). Commencing with the first quarter of 2014, Nutra SA must make distributions to the Investors quarterly in the amount equal to the previously accrued and unpaid Yield plus any additional distributions owed to the Investors, to the extent there is distributable cash, as defined in the LLC agreement. As of December 31, 2014, our balance sheet includes an other liability of \$0.6 million for Yield accumulated and unpaid. Nutra SA has made no Yield payments.

Following the payment of the Yield, Nutra SA must distribute all distributable cash (as defined in the LLC Agreement) to the members on March 31 of each year as follows: (i) first, to the Investors in an amount equal to 2.3 times the Investors' capital contributions, less the aggregate amount of non-Yield distributions paid to the Investors, (ii) second, to us in an amount equal to twice the capital contributions made by us, less the aggregate amount of distributions paid to us; and (iii) third, to us and the Investors in proportion to our respective membership interests.

Under the LLC agreement, the business of Nutra SA is to be conducted by the manager, currently our CEO, subject to the oversight of the management committee. The management committee is comprised of three of our representatives and two Investor representatives. Upon an event of default or a qualifying event, we will no longer control the management committee and the management committee will include three Investor representatives and two of our representatives. In addition, following an event of default or a qualifying event, a majority of the members of the management committee may replace the manager of Nutra SA.

As of December 31, 2014, there have been no unwaived events of default. Events of default, as defined in the MIPA and the October 2013 amendment of investment agreements, are failure of Irgovel to meet minimum annual processing targets or to achieve EBITDA of at least \$4.0 million in any year beginning in 2015.

As of December 31, 2014, there have been no qualifying events. The LLC agreement defines a qualifying event as any event prior to September 16, 2014, which results, or will result, in (i) a person or group of persons exercising the right to appoint members to our board of directors holding one third or more of the votes of all board members, (ii) the sale, exchange, pledge or use as guarantee of one half or more of our ownership interest in Nutra SA to a third party or (iii) the bankruptcy of RiceBran Technologies or Nutra SA.

The Investors have drag along rights, the right to begin a process to force the sale of all Nutra SA assets after January 1, 2016. The right terminates upon the occurrence of certain events (a \$50 million Nutra SA initial public offering or a change of control, as defined). We may elect to exercise a right of first refusal to purchase the Investors' interest instead of proceeding to a sale.

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In evaluating whether we are the primary beneficiary of Nutra SA, we considered the matters which could be put to a vote of the members. Until there is an event of default or a qualifying event, the Investors' rights and abilities, individually or in the aggregate, do not allow them to substantively participate in the operations of Nutra SA. The Investors do not currently have the ability to dissolve Nutra SA or otherwise force the sale of all its assets. They do have drag along rights in the future. We will continue to evaluate our ability to control Nutra SA each reporting period.

Cash provided by operations in our Brazil segment is generally unavailable for distribution to our Corporate and USA segments pursuant to the terms of the LLC agreement.

NOTE 6. CONCENTRATION OF RISK

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of trade accounts receivable. We perform ongoing credit evaluations on our customers' financial condition and generally do not require collateral.

One USA segment customer accounted for approximately 28% of our revenues in 2014, none of our revenues in 2013, and 2.9% of our receivables as of December 31, 2014. A second USA segment customer accounted for none of our sales in 2014 and 6% of our sales in 2013, none of our outstanding accounts receivable at December 31, 2014 and 2013. A third Brazil segment customer accounted for approximately 3% and 5% of our sales in 2014 and 2013 and approximately 7% and 16% of our accounts receivable balances at December 31, 2014 and 2013. A fourth Brazil segment customer accounted for approximately 3% and 9% of our sales in 2014 and 2013 and approximately 22% and 4% of our accounts receivable balances at December 31, 2014 and 2013. A fifth Brazil segment customer accounted for approximately 4% and 9% of our sales in 2014 and 2013 and approximately 3% and 10% of our accounts receivable balances at December 31, 2014 and 2013.

As of December 31, 2014, 232 of our 295 employees were located in Brazil. All of our employees in Brazil are represented by a labor union and are covered by a collective bargaining agreement.

At December 31, 2014, Brazil made up \$2.0 million of the \$3.1 million consolidated accounts receivable balance, net of allowance for doubtful accounts.

NOTE 7. INVENTORIES

Inventories are composed of the following (in thousands):

	As of	
	December 31,	
	2014	2013
Finished goods	\$1,103	\$1,194
Work in process	380	546
Raw materials	1,441	441
Packaging supplies	584	249
Total inventories	\$3,508	\$2,430

NOTE 8. PROPERTY

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Property consists of the following (in thousands):

	As of December		
	2014	2013	<u>Estimated Useful Lives</u>
Land	\$364	\$382	
Furniture and fixtures	539	553	5-10 years
Plant	15,942	14,582	25-30 years, or life of lease
Computer and software	1,701	1,437	3-5 years
Leasehold improvements	568	200	4-7 years or life of lease
Machinery and equipment	21,519	14,557	5-10 years
Construction in progress	-	7,517	
Subtotal	40,633	39,228	
Less accumulated depreciation	15,880	14,270	
Property, net	\$24,753	\$24,958	

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NOTE 9. INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of the following (in thousands):

	USA Segment		Customer	Brazil Segment		Total
	Patents	Trademarks	Lists	Trademark	Customer	Intangible
				Lists	Lists	Assets
<u>December 31, 2014</u>						
Cost	\$ 1,697	\$ 76	\$ 6,524	\$ 2,607	\$ 953	\$ 11,857
Accumulated amortization	(1,296)	-	(4,343)	(2,547)	(931)	(9,117)
Net book value	\$ 401	\$ 76	\$ 2,181	\$ 60	\$ 22	\$ 2,740
<u>December 31, 2013</u>						
Cost	\$ 1,697	\$ 48	\$ 2,677	\$ 2,964	\$ 1,084	\$ 8,470
Accumulated amortization	(1,170)	(41)	(2,466)	(2,472)	(904)	(7,053)
Net book value	\$ 527	\$ 7	\$ 211	\$ 492	\$ 180	\$ 1,417
Estimated useful lives	17 years	Indefinite	3 - 7 years	7 years	7 years	

Amortization expense is expected to be \$1.5 million in 2015, \$1.0 million in 2016, \$0.1 million in 2017 and \$0.1 million in 2018. Goodwill does not amortize. A summary of goodwill activity follows for 2014 and 2013.

	2014	2013
Goodwill, beginning of period	\$4,139	\$4,773
USA Segment - Acquisition of HN	790	-
Brazil segment - Effect of foreign currency translation	(498)	(634)
Goodwill, end of period	\$4,431	\$4,139

NOTE 10. EQUITY AND SHARE-BASED COMPENSATION

In May 2014, our shareholders approved an increase in our authorized shares of common stock from 6,000,000 shares to 25,000,000 shares. In June 2013, our shareholders approved an increase in the number of our authorized shares of common stock from 2,500,000 to 6,000,000.

On October 28, 2013, our board of directors approved a 1 for 200 reverse split of our common stock. We began trading on a post-split basis on November 18, 2013. All share and per share information has been retrospectively adjusted for all prior periods presented giving retroactive effect to the reverse stock split. Such adjustments include calculations of our weighted averages number of shares outstanding and loss per share, as well as disclosures regarding our share-based compensation and convertible debt.

We have never declared or paid dividends on our common stock and have no plans to pay dividends in the foreseeable future. Pursuant to the terms of the senior convertible debentures, we may not pay any dividends while a debenture is outstanding. Cash provided by operations in our Brazil segment is generally unavailable for distribution to our Corporate and USA segments pursuant to the terms of the limited liability company agreement for Nutra SA.

Stock, Convertible Note and Warrant Offerings

In December 2013, we completed a secondary public offering in which we issued and sold 1,714,286 shares of common stock for \$5.24 per share and publicly traded warrants to purchase 1,714,286 shares of common stock for \$0.01 per underlying share. The net proceeds from the offering were \$7.6 million after deducting underwriting discounts and commissions of \$0.7 million and other offering expenses of approximately \$1.4 million. The publicly traded warrants have an exercise price of \$6.55 per share and expire in December 2018. The underwriters on the offering also received a warrant for the purchase of 85,715 shares, at an exercise price of \$6.55 per share, which expires in December 2018.

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In January 2014, an underwriter exercised its overallotment rights related to our December 2013 secondary public offering. We issued and sold 162,586 shares of common stock for \$5.24 per share and publicly traded warrants to purchase 162,586 shares of common stock (\$6.55 per share exercise price and December 2018 expiration) for \$0.01 per underlying share. In connection with the overallotment exercise, the underwriters for the offering also received a warrant for the purchase of 8,130 shares of common stock (exercise price of \$6.55 per share and December 2018 expiration). The net proceeds from the overallotment exercise were \$0.8 million, after deducting underwriting discounts and commissions and other cash offering expenses of \$0.1 million, and are included in equity.

We completed the first closing of a private placement offering in March 2014. We issued convertible notes in the principal amount of \$4.9 million and warrants for the purchase of up to 1,399,614 shares of common stock (\$5.25 per share exercise price and March 2019 expiration). We contributed \$1.0 million of the \$4.3 million proceeds, net of \$0.6 million of costs, to Nutra SA, and used the remainder of the proceeds for capital projects in the United States and for general corporate purposes. On a fully diluted basis, at issuance we had available shares of common stock for 15.8% of the shares underlying the Warrants. To the extent there were available shares, we allocated proceeds to equity for the warrants (\$0.4 million). We recorded a derivative liability for the warrants to the extent there were not available shares (\$5.0 million). We recorded \$1.1 million in financing expense at closing representing the excess of the amounts recorded for the warrants over the net proceeds from the offering. The convertible notes issued in the offering were initially recorded with a discount equal to the face amount of the notes. As discussed below, in Debt Conversions section, these notes converted in May 2014.

We completed the second closing of the private placement offering in May 2014. We issued convertible notes in the principal amount of \$1.2 million and warrants for the purchase of up to 357,075 shares of common stock, with an exercise price of \$5.25 per share and a May 2019 expiration. We contributed \$0.5 million of the \$1.1 million proceeds, net of \$0.2 million of costs, to Nutra SA, and used the remainder of the proceeds for capital projects in the United States and for general corporate purposes. On a fully diluted basis, at issuance we had no available shares of common stock for the shares underlying these warrants and, as a result, recorded a derivative liability for the fair value of these warrants at issuance (\$2.0 million). We recorded \$1.0 million in financing expense at closing, representing the excess of the amounts recorded for the warrants over the net proceeds from the offering. The convertible notes issued in the offering were initially recorded with a discount equal to the face amount of the notes. As discussed below, in Debt Conversions section, these notes converted in May 2014.

In late June 2014, we issued and sold 1,417,500 shares of common stock for \$5.29 per share and warrants to purchase 708,750 shares of common stock (exercise price of \$5.87 per share and June 2019 expiration) for \$0.01 per underlying share. The underwriters for the offering also received a warrant for the purchase of 85,050 shares of common stock (exercise price of \$6.625 per share and June 2019 expiration). The net proceeds from the offering of \$6.8 million, after deducting underwriting discounts and commissions and other cash offering expenses of \$0.7 million, are included in common stock. We contributed \$3.0 million of the proceeds to Nutra SA and used \$0.8 million of the proceeds to pay all amounts due under the USA segment senior revolving note.

In a separate agreement occurring in mid June 2014, we issued warrants to purchase 265,000 shares of common stock (exercise price of \$5.25 per share and June 2019 expiration).

In October 2014, we issued and sold 1,181,695 shares of common stock and warrants to purchase 1,181,695 shares of common stock (exercise price of \$5.27 per share, exercisable beginning April 2015, April 2020 expiration) for \$5.40 per unit, where a unit is one share of common stock and a warrant to purchase one share of common stock. The underwriters of the offering also received a warrant for the purchase of 94,536 shares of common stock (exercise price of \$5.27 per share and October 2019 expiration). The net proceeds from the offering of \$5.8 million, after deducting

underwriting discounts and commissions and other estimated cash offering expenses of \$0.6 million, are included in common stock. We intend to use the proceeds for investments in USA segment capital projects and to fund Brazil working capital needs.

Issuance of Shares to Former Warrant Holders and Note Holder

In the fourth quarter of 2013, the holders of our subordinated convertible notes agreed to amend their notes to reduce the interest rate to 5% from 10%, change the maturity of the notes to July 2016 (if there was a different maturity date) and to remove the conversion feature and antidilution protections upon the closing of an equity raise in excess of \$7.0 million (Modification). Concurrently, certain warrant holders agreed to exchange warrants to purchase 496,060 shares of common stock for the future issuance of 1,554,734 shares of our common stock (Exchange). Most of the warrants impacted (warrants to purchase 441,395 shares) were warrants issued to the note holders when their notes were originally issued and had contained antidilution protections which caused them to be carried at fair value on our balances sheets. The former warrant holders committed to exchange their warrants, which were cancelled upon our closing an equity raise in the fourth quarter of 2013. The fair market value of the shares was recorded in common stock in the fourth quarter of 2013. We issued the shares, as required, after shareholders approved an increase in our authorized shares of common stock in May 2014.

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In the fourth quarter of 2013, we also issued \$500,000 of notes to a holder and agreed to issue the holder 134,250 shares of common stock. The fair market value of the shares was recorded in common stock in the fourth quarter of 2013. We issued these shares, as required, after shareholders approved an increase in our authorized shares of common stock in May 2014.

Debt Conversions

In connection with the January 2014 acquisition of HN, we issued convertible promissory notes in the face amount of \$3.3 million. The notes were due in equal quarterly payments commencing on March 31, 2015, and ending on December 31, 2018 and bore interest at 1% per year until January 2015, 5% per year from February 2015 until January 2016 and 10% per year after January 2016. We recorded the notes at their \$2.2 million fair value and the conversion features at their \$0.6 million fair value on the date of issuance. We accreted the notes at an effective interest rate of 18.9%, until the notes, and accumulated interest thereon, converted into 543,894 shares of common stock upon our issuance of shares to the former warrant holders in the Exchange. The notes converted in May 2014. Upon conversion, we recognized a \$0.9 million loss on extinguishment for the difference between the fair value of the shares issued (\$3.9 million) and the carrying amount of the notes (\$2.4 million) and related conversion feature (\$0.6 million).

The convertible notes issued in the March 2014 and May 2014 private placement closings, due in July 2016, bore interest at 5% interest until the \$6.2 million outstanding on the notes, including accumulated interest thereon (less than \$0.1 million), automatically converted in May 2014, at a conversion price of \$5.25, into 1,180,567 shares of common stock upon shareholders voting to approve an increase in our authorized shares of common stock. When the notes converted, we recognized interest expense of \$6.2 million, to accrete the notes to their face value, and increased equity \$6.2 million.

Warrants Reclassified to Equity

Shares of available common stock increased in 2014 as a result of (i) the expiration of certain outstanding warrants and options and (ii) the 19,000,000 share increase in our authorized shares of common stock. As a result, during the second quarter of 2014, we transferred to equity the \$8.9 million fair value of warrants previously classified as derivative liabilities solely due to a lack, on a fully-diluted basis, of available shares of common stock.

Equity Incentive Plans, Options and Warrants

A summary of stock option and warrant activity for 2014 and 2013 follows.

	Options			Equity and Liability Warrants		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding, January 1, 2013	169,254	\$ 32.00	6.3	806,769	\$ 24.00	3.5
Granted	40,000	15.38		1,859,111	6.85	
Impact of anti-dilution clauses	-	NA		385,292	NA	
Impact of amendment	-	NA		(496,061)	NA	

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Exercised	-	NA	-	-
Forfeited, expired or cancelled	(29,817)	50.58	(148,829)	66.92
Outstanding, December 31, 2013	179,437	24.28		