

RiceBran Technologies  
Form 10-K  
March 30, 2016

---

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, 2015

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 87-0673375  
(State of Incorporation) (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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

Edgar Filing: RiceBran Technologies - Form 10-K

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, 2015, the aggregate market value of our common stock held by non-affiliates was \$26,780,624.

As of March 30, 2016, there were 10,487,415 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, 2015, are incorporated by reference into Part III of this Annual Report on Form 10-K.

---

---

## FORM 10-K

## INDEX

|          |   |      |
|----------|---|------|
| PART I   |   | Page |
| Item 1.  | <u>Business</u>   | 4    |
| Item 1A. | <u>Risk Factors</u>   | 13   |
| Item 1B. | <u>Unresolved Staff Comments</u>  | 20   |
| Item 2.  | <u>Properties</u>   | 21   |
| Item 3.  | <u>Legal Proceedings</u>  | 21   |
| Item 4.  | <u>Mine Safety Disclosures</u>  | 22   |
| PART II  |   |      |
| Item 5.  | <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 23   |
| Item 6.  | <u>Selected Financial Data</u>  | 23   |
| Item 7.  | <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>                        | 23   |
| Item 7A. | <u>Quantitative and Qualitative Disclosures About Market Risk</u>   | 31   |
| Item 8.  | <u>Financial Statements and Supplementary Data</u>  | 31   |
| Item 9.  | <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>                         | 62   |
| Item 9A. | <u>Controls and Procedures</u>  | 62   |
| Item 9B. | <u>Other Information</u>  | 63   |
| PART III |   |      |
| Item 10. | <u>Directors, Executive Officers and Corporate Governance</u>   | 63   |
| Item 11. | <u>Executive Compensation</u>   | 63   |
| Item 12. | <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>               | 63   |
| Item 13. | <u>Certain Relationships and Related Transactions, and Director Independence</u>                                    | 63   |
| Item 14. | <u>Principal Accountant Fees and Services</u>   | 63   |
| PART IV  |   |      |
| Item 15. | <u>Exhibits and Financial Statement Schedules</u>   | 63   |

Index

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.

Unless the context requires otherwise, references to “we,” “us,” “our” and “the Company” refer to RiceBran Technologies, and its consolidated subsidiaries.

Index

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 bran, an underutilized by-product of the rice milling industry.

Using our rice bran 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 protein and fiber rich insoluble derivative of RiBalance; and our family of ProRyza products, which include derivatives including protein and protein/fiber blends.

In 2016, we entered into a strategic supply partnership with the Thailand-based Narula Group of companies to add organic jasmine rice bran and organic red rice bran, as well as other organic products, to our portfolio of products.

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

We have two reportable operating segments in 2015: (i) USA segment, which manufactures and distributes SRB (for human food ingredient and animal nutrition customers) and derivative products as well as contract manufacturing of functional food products with an emphasis on utilization of our proprietary and patented functional food ingredients; and (ii) Brazil segment, which extracts crude RBO from raw rice bran and produces DRB as a co-product. RBO is then further processed into degummed, neutralized and/or fully refined rice bran oil for sale internationally and in Brazil. DRB is sold as feed for horses, cows, swine, sheep and poultry and a number of human food and animal nutrition products. We incur corporate and other expenses not directly attributable to operating segments. These 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/soy 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. At that location we manufacture blended and/or packaged functional food products for the human nutrition and functional food markets. 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. LLC (Nutra SA), we acquired 100% ownership of Industria Riograndens De Oleos Vegetais Ltda. (Irgovel), our rice bran oil bio-refining plant in Pelotas, Brazil.

Edgar Filing: RiceBran Technologies - Form 10-K

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.” At that time we changed our name to RiceBran Technologies. 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”.

4

---

Index

USA

The USA segment produces SRB inside three locations: two leased raw rice bran stabilization facilities located within supplier-owned rice mills in Arbutle and West Sacramento, California; and one owned rice bran stabilization facility in Mermentau, Louisiana. At Dillon, Montana, the USA segment produces our process patented 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 our ProRyza family of products including, protein- and protein/fiber-based products. "Stage II" refers to the process patented processes run at our Dillon, Montana facility and describes products produced at that facility. 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.

With the acquisition of HN, we formulate, blend and package finished products on a business-to-business basis for our customers at a leased facility in Irving Texas. We also lease a facility in West Sacramento, California that houses a laboratory, warehouse and facility for assembling RBT proprietary extruders for stabilizing raw rice bran. We use an owned facility in Lake Charles, Louisiana as a temporary warehouse. In 2015, approximately 84% 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 sold in bulk in the Brazilian market and internationally as an animal nutrition ingredient, and is sold as a raw material for further processing into human food ingredients. In 2015, approximately 52% of Brazil segment product revenue was from sales of RBO products and the remainder was from sales of DRB products.

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 (MIPA) 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 was 32.0% at December 31, 2015 and averaged 32.9% in 2015 and 40.0% in 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 drag along rights, the right to force the sale of all Nutra SA assets after January 1, 2018. 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.

Under the Nutra SA limited liability company agreement (LLC Agreement), 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 us and the

Investors in proportion to our additional capital preference percentages (with respect to us, this means total contributions we make on or after June 3, 2015 as a percentage of the total contributions we make after June 3, 2015 plus the amount contributed by the investors as of April 30, 2015; with respect to the Investors, this means the amount contributed by the investors as of April 30, 2015, as a percentage of the amount contributed by the investors as of April 30, 2015, plus total contributions we make on or after June 3, 2015), (ii) second, to the Investors in an amount equal to 2.0 times the Investors' capital contributions, less the aggregate amount of distributions paid to the Investors, (iii) third, to us in an amount equal to twice the capital contributions made by us, less the aggregate amount of distributions paid to us; and (iv) fourth, 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.



Index

Background

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

Premium natural, organic and functional 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 and Functional Food Ingredients

Our SRB, DRB, RBO and derivatives are nutritional, functional 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, breadings and batters. The inclusion of DRB in breadings 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 of 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 sell DRB as an ingredient for inclusion in 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 12th, respectively, in production of rice, with approximately 8.5 and 7.1 million metric tons, respectively, produced.

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.

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.

## Index

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 or other drying systems such as spray

dryers.

Our Bio-Refining Process

Rice bran is free of all major allergens and is 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%            |
| Calories            | 3.2<br>kcal/gram |

7

---

## Index

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. The following market conditions and company actions represent a summary of our growth strategy:

1. **Emphasis on Natural, Organic and Functional Foods:** Based on industry sources, the U.S. market for natural, organic and functional foods grew in excess of 10% and exceeded \$110 billion in 2014 making that category 15% of total U.S. food sales, with natural and organic sub-sectors of that market growing 12% and 13% respectively – the fastest growing segments in the U.S. market for foods. These sales levels and growth rates are much higher than previously forecast confirming that the trend to healthy eating as part of an overall wellness regimen is not a fad. 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 will continue marketing our proprietary and patented 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 to reduce new product development cycles and drive sales of our functional ingredients. We believe that focusing our marketing

efforts on distributors to reduce new product development cycles and drive sales of our functional ingredients. 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 Natural, Organic and Functional Food market: 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 natural, organic and functional food channels allowing us to capture not only single ingredient sales but also sales of blended finished products consisting 2. predominantly of our ingredients blended with other products and sold as a finished product on a business to business basis. In 2014 and 2015 we used capital raised from the market to double the capacity of HN. As a part of our strategy to grow our natural organic and functional food 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.

Index

Increased production capacity of our Stage II products; Addition of proprietary and patent pending protein products: During 2014, we doubled our capacity to produce certain Stage II products at our Dillon, Montana facility in response to projected increased demand for natural, organic and functional food products. We completed the expansion project near the end of 2014. We co-developed proprietary and provisionally patented technologies with 3. DSM Innovation Center, a subsidiary of Royal DSM N.V. that enables the extraction of protein from DRB and SRB. In early 2015 we launched new protein products from our U.S. operations and plan to produce protein from DRB in our Brazil segment in the future based on the technologies developed with DSM. In addition, we 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.

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 bio-refining plant in Pelotas, Brazil. Following the capital expansion project at this plant, 4. raw rice bran processing capacity increased approximately 50% in first quarter 2015. That expansion increased raw rice bran processing capacity from 200 metric tons per day to over 300 metric tons per day.

Demand for minimally processed, natural, non-genetically modified “clean” label food products: The market for natural, organic and functional foods is rapidly expanding in the U.S., 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 5. driving food companies to replace standard food ingredients 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 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 6. 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.

Increase global distribution network: Our growth strategy includes increasing sales of our products in overseas 7. markets. In 2015 we added distributors in Canada and Mexico and plan to strengthen our network in other global markets.

8. Continue to generate evidence-based functionality of our proprietary ingredients:

A 57-subject clinical trial conducted by Advanced Medical Research (Journal of Nutritional Biochemistry, Volume 13, 2002), 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. To date, we have not developed any such products nor sanctioned any subsequent trials to confirm the results from the initial trial. 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.



### Index

In December 2007, we formed Rice Science, LLC (Rice Science), and 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.

### 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.

Index

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 and food ingredients. 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 food ingredient 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. 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.

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 for use as a feed ingredient.

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 2015, three customers accounted for 63% of USA segment revenues. In our Brazil segment, three customers accounted for 40% of segment revenues. In 2014, three customers accounted for 60% of USA segment revenues and three customers accounted for 23% of Brazil segment revenues. We continue to focus efforts on diversification of our customer base in an attempt to mitigate the concentration of customers. We have recently signed multi-year agreements with a supplier and strategic partner that we believe will assist us in those efforts.

## Index

### Our Strategic Alliances

In February 2016, we entered into an exclusive supply and cooperation agreement with a Thailand-based entity (Youji) granting us the exclusive worldwide, with certain exclusions, supply and distribution rights for their organic rice bran. In addition, as part of the agreement we have agreed to lease two of our proprietary stabilization extruders to Youji for stabilization purposes at one of their rice mills. As part of our overall alliance with Youji, we have formed a joint venture entity, 55% owned by us, that will serve as the business platform for selling non-rice bran related organic products in North America produced by Youji related entities.

In 2013, we entered into a series of agreements with various affiliates of Wilmar International Limited (collectively Wilmar). In connection therewith, we sold a 50% membership interest in RBT PRO, LLC (RBT PRO) to Wilmar. RBT PRO granted an exclusive, royalty free, perpetual sublicense of the license to use processes for deriving protein from rice bran to Wilmar for use throughout China and to us for use worldwide, excluding China. Any royalty revenue derived from that same license would be revenue of RBT PRO.

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.

### 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 U.S., 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.

We also 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, 2015, the USA and Corporate segments had 72 employees located in the U.S. and the Brazil segment had 192 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.

Index

Securities and Exchange Commission Reports

We maintain an Internet website at the following address: [www.ricebrantech.com](http://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](http://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.

RISK FACTORS

Risks Relating to Our Business

We have not yet achieved annual positive cash flows.

Our net cash used in operating activities was \$3.8 million in 2015 and \$10.1 million in 2014. 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 \$250 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.





Index

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.

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.

Index

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. 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.

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.

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 in the local currency of at least R\$4.0 million. At the end of 2015, Irgovel did not meet this covenant but Investors waived the requirement. 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.

Index

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 2015, three customers accounted for 63% of segment revenues and the top ten customers accounted for 78% of segment revenues. As of December 31, 2015, the customers with the highest ten balances in the USA segment accounted for 55% of segment accounts receivable.

In the Brazil segment, in 2015, three customers accounted for 40% of segment revenues and the top ten customers accounted for 61% of segment revenues. As of December 31, 2015, the customers with the highest ten balances accounted for 84% 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.

Index

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, 2015, 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 functional foods 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.



Index

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.

18

---

## Index

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 other 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.

Index

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 30, 2016, we had 10,487,415 shares of common stock outstanding, 11,199,192 shares of our common stock were issuable upon exercise of our outstanding options and warrants and 2,000,000 shares of common stock were issuable upon conversion of preferred stock. 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 anti-dilution provisions in certain warrants may dilute current shareholders.

As of March 30, 2016, we had 1,489,867 shares of common stock issuable upon exercise of two outstanding warrants that contain anti-dilution provisions, with a current exercise price of \$1.50 per share. These anti-dilution 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. As of March 30, 2016, we also had 300,000 shares of common stock issuable upon exercise of an outstanding warrant that contains a most favored nations anti-dilution provision, with a current exercise price of \$5.25 per share. The most favored nations anti-dilution provision in this warrant provides that in the event of issuances of options and/or convertible instruments with anti-dilution provisions (providing for the adjustment of the exercise price, conversion price or other price or rate at which shares of common stock thereunder may be purchased, acquired or converted, and/or any upward adjustment in the number of shares of common stock issuable) we may be required to lower the exercise price on this warrant and and/or increase the number of shares underlying this warrant. Any adjustments pursuant to the anti-dilution provisions of these three warrants 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 and designated and issued a sixth series of preferred stock, Series F, in February 2016. 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.

20

---

IndexITEM 2. PROPERTIES

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 30, 2016:

| 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<br>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 \$3.0 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.



Index

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 assert 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 Seller's 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. 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, 2015, the balance in the escrow account was \$1.9 million and is included in restricted cash in our balance sheets. On January 12, 2016, the US District Court for the District of Arizona entered a final judgment in our favor for a total of \$1.9 million plus interest affirming the arbitration award issued by the arbitrators. On March 24, 2016, the \$1.9 million in the escrow account was released to us to fund the award owed to us by the Sellers.

There is an escrow liability related to the lawsuit in accrued expenses on our balance sheets as of December 31, 2015 and 2014, totaling \$1.9 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, 2015, \$0.3 million of pre-acquisition contingencies have either been paid or specifically identified and accrued, leaving a balance of \$1.7 million to settle any remaining contingencies. We believe as of March 24, 2016, now that the escrow funds have been released to us, that there are no significant remaining contingencies.

ITEM 4. MINE SAFETY DISCLOSURES

None.

Index

## PART II

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

|                | Low    | High   |
|----------------|--------|--------|
| <u>2015</u>    |        |        |
| Fourth Quarter | \$1.70 | \$2.40 |
| Third Quarter  | 2.07   | 3.44   |
| Second Quarter | 3.14   | 4.25   |
| First Quarter  | 2.50   | 4.67   |
| <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   |

Holdings

As of March 30, 2016, 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. We are restricted from paying dividends or making other distributions to shareholders without the approval of our senior lender. 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, 2015, we issued no securities without registration under the Securities Act.

Share Repurchases

We did not repurchase any of our common stock in 2015.

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.

23

---

## Index

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 and 2015, 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.

In January 2014, we completed the acquisition of HN, the operations of which are accretive to cash flows. Irgovel, completed the final stages of a major capital expansion in the first quarter of 2015. Throughout 2014, significant cash was used during the shutdown period during the major capital expansion and subsequent restart of the Irgovel plant in 2015. In 2015 and 2014, we invested approximately \$3.6 million and \$10.3 million respectively, in Nutra SA, to fund Irgovel working capital needs. Operations at Irgovel began to improve during the end of 2015. Irgovel should continue to improve its operating performance in 2016 subject to raw bran availability and overall economic conditions in Brazil which are challenging. However, there are no assurances that this will occur.

In May 2015, we entered into an \$8 million senior secured credit facility agreement with a lender (the Lender) consisting of a \$3.5 million revolving loan, not to exceed a borrowing base, as defined in the agreement, and an initial \$2.5 million term loan, which term loan may be increased at the Lender’s discretion by up to \$2.0 million within 2 years. In February 2016, we issued and sold preferred stock and warrants that netted proceeds of \$2.6 million. Funds received under the facility with the Lender and from the February offering are being used for working capital and capital expenditure needs in both of our operating segments. From January 1, 2016 to March 30, 2016, we invested an additional \$1.0 million in Nutra SA to fund Irgovel working capital needs. As of March 30, 2016, we may make additional investments in Nutra SA up to \$0.5 million without prior approval of the Lender.

On March 24, 2016, the restricted cash previously held in a \$1.9 million escrow account associated with the purchase of Irgovel (the status of which is discussed further in Note 14 to the consolidated financial statements) was released to us pursuant to a court order and, as required under an agreement with the Lender, we repaid \$1.0 million of the term note with the Lender.

## Segments

We have two reportable operating segments in 2015: (i) USA segment, which manufactures and distributes SRB (for human food ingredient and animal nutrition customers) and derivative products as well as contract manufacturing of functional food products with an emphasis on utilization of our proprietary and patented functional food ingredients; and (ii) Brazil segment, which extracts crude RBO from raw rice bran and produces DRB as a co-product. RBO is then further processed into degummed, neutralized and/or fully refined rice bran oil for sale internationally and in Brazil. DRB is sold as feed for horses, cows, swine, sheep and poultry and a number of human food and animal nutrition products. We incur corporate and other expenses not directly attributable to operating segments. These

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/soy 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.

Index

The USA segment produces SRB inside three locations: two leased raw rice bran stabilization facilities located within supplier-owned rice mills in Arbuckle and West Sacramento, California; and one owned rice bran stabilization facility in Mermentau, Louisiana. At Dillon, Montana, the USA segment produces our process patented 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 our ProRyza family of products including, protein- and protein/fiber-based products. "Stage II" refers to the process patented processes run at our Dillon, Montana facility and describes products produced at that facility. 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.

With the acquisition of HN, we formulate, blend and package finished products on a business-to-business basis for our customers at a leased facility in Irving Texas. We also lease a facility in West Sacramento, California that houses a laboratory, warehouse and facility for assembling RBT proprietary extruders for stabilizing raw rice bran. We use an owned facility in Lake Charles, Louisiana as a temporary warehouse. In 2015, approximately 84% of USA segment revenue is from sales of human nutrition products and the remainder was from sales of animal nutrition products.

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 sold in bulk in the Brazilian market and internationally as an animal nutrition ingredient, and is sold as a raw material for further processing into human food ingredients. In 2015, approximately 52% of Brazil segment product revenue was from sales of RBO products and the remainder was from sales of DRB products.

Results of Operations

Consolidated net loss attributable to RiceBran Technologies shareholders for 2015 was \$8.3 million, or \$0.90 per share, compared to \$23.0 million, or \$3.96 per share in 2014.

Revenue and Gross Profit

Revenues (in thousands):

|                | 2015     | % of<br>Total<br>Revenues | 2014     | % of<br>Total<br>Revenues | Change    | %<br>Change |
|----------------|----------|---------------------------|----------|---------------------------|-----------|-------------|
| USA segment    | \$23,341 | 58.5                      | \$23,096 | 57.6                      | \$ 245    | 1.1         |
| Brazil segment | 16,601   | 41.6                      | 17,012   | 42.4                      | (411 )    | (2.4 )      |
| Intersegment   | (46 )    | (0.1 )                    | -        | -                         | (46 )     | NA          |
| Total revenues | \$39,896 | 100.0                     | \$40,108 | 100.0                     | \$ (212 ) | (0.5 )      |

Consolidated revenues for 2015 were \$39.9 million compared to \$40.1 million in 2014, a decrease of \$0.2 million, or 0.5%.

USA segment revenues increased \$0.2 million, or 1.1% in 2015 compared to 2014. A \$0.4 million increase in human nutrition product revenues was offset by a \$0.2 million decrease in animal nutrition revenues. We will continue to focus on increasing the higher margin human nutrition products in our mix of revenues.

Brazil segment revenues decreased \$0.4 million, or 2.4% in 2015 compared to 2014. Revenues in 2015 on a local currency basis increased 36% in spite of issues related to availability and quality of raw bran from suppliers. The 28% decline in the average Brazilian Real versus US Dollar exchange rate between 2015 and 2014 more than offset the gains in volume and had a \$6.7 million impact on Brazil segment revenue. Revenues for the first half of 2015 were negatively impacted by a nationwide truck drivers' strike in Brazil related to disputes over diesel prices and fixed freight rates. During the strike, Irgovel was unable to deliver or export product to customers for twelve days in February and March. However, the negative impact on operations resulting from receiving high acid raw bran impacted Irgovel through the end of the first quarter and into the second quarter. Lower quality raw bran (i.e. high fatty acid levels) resulted in lower quality, and therefore lower prices for oil after extraction.

Index

## Gross profit (in thousands):

|                    | 2015         |      | 2014         |        | Change          |      |
|--------------------|--------------|------|--------------|--------|-----------------|------|
|                    | Gross Profit | %    | Gross Profit | %      | in Gross Profit | %    |
| USA segment        | \$7,418      | 31.8 | \$6,972      | 30.2   | \$446           | 1.6  |
| Brazil segment     | 652          | 3.9  | (2,503)      | (14.7) | 3,155           | 18.6 |
| Total gross profit | \$8,070      | 20.1 | \$4,469      | 11.1   | \$3,601         | 9.0  |

Consolidated gross profit increased \$3.6 million, or 9.0 percentage points, to \$8.1 million in 2015, compared to \$4.5 million in 2014.

The USA segment gross profit increased \$0.4 million, to \$7.4 million in 2015, from \$7.0 million in 2014. The increase in gross profit percentage was attributable to lower raw bran costs and higher levels of production. The average cost of raw bran declined by approximately 12% in California and 31% in Louisiana for 2015, compared to 2014.

Brazil segment gross profit increased \$3.2 million in 2015. Depreciation in cost of goods sold declined \$0.3 million between years due to an extension of estimated depreciable lives, effective June 30, 2015, as a result of plant operational changes. Additionally, plant efficiency related to increasing the volume of raw bran processed and improving sales mix towards higher margin oil related products as a percentage of overall revenues contributed to improved margins. Raw bran processed in 2015 increased 35% over 2014. Continuing improvement in gross profit is anticipated as processing volume increases, sales mix improves and certain quality issues are resolved resulting in higher selling prices.

Operating Expenses (in thousands):

|                                     | 2015      |         |         |              |
|-------------------------------------|-----------|---------|---------|--------------|
|                                     | Corporate | USA     | Brazil  | Consolidated |
| Selling, general and administrative | \$4,892   | \$4,288 | \$3,387 | \$ 12,567    |
| Depreciation and amortization       | 79        | 1,569   | 131     | 1,779        |
| Total operating expenses            | \$4,971   | \$5,857 | \$3,518 | \$ 14,346    |

|                                     | 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    |

|                                     | Favorable (Unfavorable) Change |         |         |              |
|-------------------------------------|--------------------------------|---------|---------|--------------|
|                                     | Corporate                      | USA     | Brazil  | Consolidated |
| Selling, general and administrative | \$1,049                        | \$(155) | \$893   | \$ 1,787     |
| Depreciation and amortization       | (27)                           | 568     | 559     | 1,100        |
| Total operating expenses            | \$1,022                        | \$413   | \$1,452 | \$ 2,887     |

Consolidated operating expenses were \$14.3 million for 2015, compared to \$17.2 million for 2014, a decrease of \$2.9 million.



## Edgar Filing: RiceBran Technologies - Form 10-K

Corporate segment selling, general and administrative expenses (SG&A) decreased \$1.0 million. Salary, wages, benefits, and labor related expenses decreased \$0.4 million. The remaining \$0.6 million decrease was the result of lower fees related to outside services, investor relations and bonus expenses.

USA segment SG&A expenses increased \$0.2 million. The increase was related to research and development and travel and marketing expenses.

Brazil segment SG&A expenses decreased \$0.9 million in 2015. The change was primarily the result of declines in the exchange rate between the Brazilian Real and the US Dollar. The average exchange rate decreased 28% year over year.

Index

On a consolidated basis, depreciation and amortization expense decreased \$1.1 million due to the following:

USA segment depreciation and amortization expense decreased \$0.6 million due to incremental declines in amortization expense of intangible assets associated with the acquisition of HN in 2014.

Brazil segment depreciation and amortization expense decreased \$0.6 million due to intangible assets becoming fully amortized in 2015.

Other Income (Expense) (in thousands):

|   | 2015      |      |           |              |
|---|-----------|------|-----------|--------------|
|   | Corporate | USA  | Brazil    | Consolidated |
| Interest income   | \$-       | \$ - | \$107     | 107          |
| Interest expense  | (1,404)   | -    | (1,697)   | (3,101 )     |
| Change in fair value of derivative warrant and conversion liabilities | 1,001     | -    | -         | 1,001        |
| Financing expense   | -         | -    | -         | -            |
| Loss on extinguishment  | (1,904)   | -    | -         | (1,904 )     |
| Foreign currency exchange, net  | -         | -    | (370 )    | (370 )       |
| Other   | 154       | -    | (363 )    | (209 )       |
| Other income (expense)  | \$(2,153) | \$ - | \$(2,323) | \$(4,476 )   |

|   | 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 )  |

|   | Favorable (Unfavorable) Change |      |        |              |
|---|--------------------------------|------|--------|--------------|
|   | Corporate                      | USA  | Brazil | Consolidated |
| Interest income   | \$-                            | \$ - | \$(8 ) | \$(8 )       |
| Interest expense  | 6,545                          | -    | 688    | 7,233        |
| Change in fair value of derivative warrant and conversion liabilities | 2,210                          | -    | -      | 2,210        |
| Financing expense   | 2,072                          | -    | -      | 2,072        |
| Loss on extinguishment  | (998 )                         | -    | -      | (998 )       |
| Foreign currency exchange, net  | -                              | -    | (196)- | (196 )       |
| Other   | 154                            | -    | 224    | 378          |
| Other income (expense)  | \$9,983                        | \$ - | \$708  | \$10,691     |

Consolidated other expense was \$4.5 million in 2015, compared to \$15.2 million in 2014.

The Corporate segment experienced a \$6.5 million decrease in interest expense. In May 2014, the convertible notes issued in the private placement offering in March 2014 and May 2014 were converted, and we recognized interest expense of \$6.2 million, to accrete the notes to their face value in 2014.

The Corporate segment also experienced a \$1.0 million increase in debt extinguishment expense. In May 2015, the majority of the outstanding subordinated notes were extinguished and replaced with new subordinated notes. When

the notes were extinguished, we recognized loss on extinguishment of debt of \$1.9 million which represents recognition of the unamortized discount and the fair value of warrants issued in the transaction.

The Corporate segment also experienced a \$2.2 million decrease in expense from the change in the fair value of derivative warrant and conversion liabilities. Our liability warrants 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. The change in our stock price between periods contributed to the decrease in expense. In addition, during 2015 we had no conversion liabilities as all convertible debt converted in 2014.

Index

The Corporate segment experienced a \$2.1 million decrease in financing expense. 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.

In the Brazil segment, the \$0.7 million decrease in interest expense was a result of a decrease in average debt and interest bearing payables outstanding and the 28% decline in the average exchange rate between years. The \$0.2 million change in foreign currency exchange gain (loss) related to the impact of exchange rate fluctuations on the Brazil segment's US Dollar denominated debt.

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 2015 and 2014, is presented below (in thousands).

|   | 2015              |            |              |
|---|-------------------|------------|--------------|
|   | Corporate and     |            |              |
|   | USA               | Brazil     | Consolidated |
| Net loss  | \$(5,387)         | \$(5,189)  | \$(10,576)   |
| Adjustments to reconcile net loss to net cash used in operations:     |                   |            |              |
| Depreciation and amortization   | 2,538             | 1,525      | 4,063        |
| Change in fair value of derivative warrant and conversion liabilities | (1,001)           | -          | (1,001)      |
| Loss on extinguishment  | 1,904             | -          | 1,904        |
| Interest accreted   | 455               | -          | 455          |
| Other adjustments, net  | 799               | 167        | 966          |
| Changes in operating asset and liabilities:                           | (1,245)           | 1,640      | 395          |
| Net cash used in operating activities                                 | \$(1,937)         | \$(1,857)  | \$(3,794)    |
|   |                   |            |              |
|   | 2014              |            |              |
|   | Corporate and USA |            |              |
|   | 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)   |

On a combined basis, the Corporate and USA segments used \$1.9 million of cash in operating activities in 2015, compared to using \$2.9 million of operating cash in 2014. We funded the use of cash in 2015 with available cash on hand derived from equity financings in 2014 and with the proceeds from the facility with the senior Lender.

The Brazil segment used \$1.9 million in operating cash in 2015, compared to using \$7.2 million of operating cash in 2014. These losses were funded through additional equity contributions from the USA segment totaling \$3.4 million in 2015 and \$10.2 million in 2014.

In February 2016, we issued and sold preferred stock and warrants that netted proceeds of \$2.6 million. Funds received under the facility with the Lender and from the February offering are being used for working capital and capital expenditure needs in both of our operating segments. From January 1, 2016 to March 30, 2016, we have currently invested an additional \$1.0 million in Nutra SA to fund Irgovel working capital needs. As of March 30, 2016, we may make additional investments in Nutra SA up to \$0.5 million without prior approval of the Lender. We repaid \$1.0 million of the term note with the Lender on March 24, 2016, upon receipt of the funds from the escrow account.

### Index

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. No further convertible debt has been issued since that time.

### 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 net realizable value, 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.

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.

When we perform a quantitative estimate of fair value, we use level 3 inputs as defined by the fair value hierarchy. The inputs used to calculate the fair value include a number of subjective factors, such as estimates of future cash flows, estimates of our future cost structure, discount rates for our estimated cash flows, required level of working capital, assumed terminal value, and time horizon of cash flow forecasts. Estimating the fair value of an individual reporting unit requires us to make assumptions and estimates regarding our future plans, industry and economic conditions.

## Index

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 anti-dilution 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 anti-dilution 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.

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.

Index

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

31

---

Index

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the  
Board of Directors and Shareholders  
Of RiceBran Technologies

We have audited the accompanying consolidated balance sheets of RiceBran Technologies (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of RiceBran Technologies as of December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming 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 \$251 million at December 31, 2015. 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 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

/s/ Marcum llp

Marcum llp  
New York, NY  
March 30, 2016

Index

RiceBran Technologies

Consolidated Balance Sheets

December 31, 2015 and 2014

(in thousands, except share amounts)

|  | 2015      | 2014      |
|--|-----------|-----------|
| <b>ASSETS</b>  |           |           |
| Current assets:  |           |           |
| Cash and cash equivalents  | \$1,070   | \$3,610   |
| Restricted cash  | 1,921     | 1,920     |
| Accounts receivable, net of allowance for doubtful accounts of \$512 and \$574 (variable interest entity restricted \$1,003 and \$1,980) | 2,169     | 3,055     |
| Inventories  | 3,857     | 3,508     |
| Operating taxes recoverable  | 809       | 737       |
| Deposits and other current assets  | 895       | 1,071     |
| Total current assets   | 10,721    | 13,901    |
| Property, net (variable interest entity restricted \$2,102 and \$3,727)  | 18,328    | 24,753    |
| Goodwill   | 3,258     | 4,431     |
| Intangible assets, net   | 1,225     | 2,740     |
| Other long-term assets   | 103       | 88        |
| Total assets   | \$33,635  | \$45,913  |
| <b>LIABILITIES, TEMPORARY EQUITY AND EQUITY</b>  |           |           |
| Current liabilities:   |           |           |
| Accounts payable   | \$2,514   | \$3,286   |
| Accrued salary, wages and benefits   | 2,325     | 2,206     |
| Accrued expenses   | 4,789     | 4,830     |
| Current maturities of debt (variable interest entity nonrecourse \$2,750 and \$4,758)  | 5,050     | 4,808     |
| Total current liabilities  | 14,678    | 15,130    |
| Long-term debt, less current portion (variable interest entity nonrecourse \$3,553 and \$6,203)  | 10,908    | 11,288    |
| Derivative warrant liabilities   | 678       | 955       |
| Deferred tax liability   | 34        | 225       |
| Total liabilities  | 26,298    | 27,598    |
| Commitments and contingencies  |           |           |
| Temporary Equity - Redeemable noncontrolling interest in Nutra SA  | 69        | 2,643     |
| 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, 9,537,415 and 9,383,571 shares issued and outstanding                          | 262,895   | 261,299   |
| Accumulated deficit  | (250,738) | (242,470) |
| Accumulated other comprehensive loss   | (4,889)   | (3,157)   |
| Total equity attributable to RiceBran Technologies shareholders  | 7,268     | 15,672    |
| Total liabilities, temporary equity and equity   | \$33,635  | \$45,913  |

See Notes to Consolidated Financial Statements



Index

RiceBran Technologies  
Consolidated Statements of Operations  
Years Ended December 31, 2015 and 2014  
(in thousands, except share and per share amounts)

|   | 2015       | 2014        |
|---|------------|-------------|
| Revenues  | \$39,896   | \$40,108    |
| Cost of goods sold  | 31,826     | 35,639      |
| Gross profit  | 8,070      | 4,469       |
| Operating expenses:   |            |             |
| Selling, general and administrative                                   | 12,567     | 14,354      |
| Depreciation and amortization   | 1,779      | 2,879       |
| Total operating expenses  | 14,346     | 17,233      |
| Loss from operations  | (6,276 )   | (12,764 )   |
| Other income (expense):   |            |             |
| Interest income   | 107        | 115         |
| Interest expense - accreted on debt converted to equity               | -          | (6,323 )    |
| Interest expense - other  | (3,101 )   | (4,011 )    |
| Change in fair value of derivative warrant and conversion liabilities | 1,001      | (1,209 )    |
| Loss on extinguishment  | (1,904 )   | (906 )      |
| Financing expense   | -          | (2,072 )    |
| Foreign currency exchange, net  | (370 )     | (174 )      |
| Other income  | 167        | 12          |
| Other expense   | (376 )     | (599 )      |
| Total other income (expense)  | (4,476 )   | (15,167 )   |
| Loss before income taxes  | (10,752 )  | (27,931 )   |
| Income tax benefit  | 176        | 1,304       |
| Net loss  | (10,576 )  | (26,627 )   |
| Net loss attributable to noncontrolling interest in Nutra SA          | 2,308      | 3,598       |
| Net loss attributable to RiceBran Technologies shareholders           | \$(8,268 ) | \$(23,029 ) |
| Loss per share attributable to RiceBran Technologies shareholders     |            |             |
| Basic   | \$(0.90 )  | \$(3.96 )   |
| Diluted   | \$(0.90 )  | \$(3.96 )   |
| Weighted average number of shares outstanding                         |            |             |
| Basic   | 9,187,983  | 5,809,364   |
| Diluted   | 9,187,983  | 5,809,364   |

See Notes to Consolidated Financial Statements

Index

RiceBran Technologies  
 Consolidated Statements of Comprehensive Loss  
 Years ended December 31, 2015 and 2014  
 (in thousands)

|   | 2015       | 2014       |
|---|------------|------------|
| Net loss  | \$(10,576) | \$(26,627) |
| Other comprehensive loss - foreign currency translation, net of tax         | (2,573 )   | (1,404 )   |
| Comprehensive loss, net of tax  | (13,149)   | (28,031)   |
| Comprehensive loss attributable to noncontrolling interest, net of tax      | 3,147      | 4,081      |
| Total comprehensive loss attributable to RiceBran Technologies shareholders | \$(10,002) | \$(23,950) |

See Notes to Consolidated Financial Statements

35

---

Index

RiceBran Technologies  
 Consolidated Statements of Changes in Equity  
 Years Ended December 31, 2015 and 2014  
 (in thousands, except share amounts)

|  | Common Stock |           | Accumulated   | Accumulated                         | Total    |
|--|--------------|-----------|---------------|-------------------------------------|----------|
|  | Shares       | Amount    | Deficit       | Other<br>Comp-<br>rehensive<br>Loss | Equity   |
| Balance, January 1, 2014                                       | 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   |
| Share-based compensation, employees and directors              | 139,047      | 857       | -             | -                                   | 857      |
| Warrant issued to subordinated debt holders                    | -            | 699       | -             | -                                   | 699      |
| Other  | 14,797       | 40        | -             | -                                   | 40       |
| Foreign currency translation                                   | -            | -         | -             | (1,732 )                            | (1,732 ) |
| Net loss   | -            | -         | (8,268 )      | -                                   | (8,268 ) |
| Balance, December 31, 2015                                     | 9,537,415    | \$262,895 | \$ (250,738 ) | \$ (4,889 )                         | \$7,268  |

See Notes to Consolidated Financial Statements



Index

RiceBran Technologies  
 Consolidated Statements of Cash Flows  
 Years Ended December 31, 2015 and 2014  
 (in thousands)

|   | 2015       | 2014       |
|---|------------|------------|
| Cash flow from operating activities:  |            |            |
| Net loss  | \$(10,576) | \$(26,627) |
| Adjustments to reconcile net loss to net cash used in operating activities:   |            |            |
| Depreciation  | 2,548      | 3,956      |
| Amortization  | 1,515      | 2,593      |
| Provision for doubtful accounts receivable                                    | 185        | 251        |
| Share-based compensation, employees and directors                             | 898        | 729        |
| Interest accreted   | 455        | 7,058      |
| Change in fair value of derivative warrant and conversion liabilities         | (1,001 )   | 1,209      |
| Loss on extinguishment  | 1,904      | 906        |
| Financing expense   | -          | 2,072      |
| Deferred tax benefit  | (192 )     | (1,304 )   |
| Other   | 75         | 169        |
| Changes in operating assets and liabilities:                                  |            |            |
| Accounts receivable   | 63         | (766 )     |
| Inventories   | (677 )     | (138 )     |
| Accounts payable and accrued expenses   | 1,392      | (215 )     |
| Other   | (383 )     | 40         |
| Net cash used in operating activities   | (3,794 )   | (10,067)   |
| Cash flows from investing activities:   |            |            |
| Acquisition of HN, net of cash acquired                                       | -          | (725 )     |
| Purchases of property   | (1,068 )   | (5,423 )   |
| Proceeds from sales of property   | -          | 23         |
| Net cash used in investing activities   | (1,068 )   | (6,125 )   |
| Cash flows from financing activities:   |            |            |
| Payments of debt  | (23,823)   | (18,971)   |
| Proceeds from issuance of debt  | 25,991     | 15,699     |
| Proceeds from issuance of convertible debt and related warrants, net of costs | -          | 5,379      |
| Proceeds from issuance of common stock and warrants, net of costs             | -          | 13,296     |
| Other   | -          | (329 )     |
| Net cash provided by financing activities                                     | 2,168      | 15,074     |
| Effect of exchange rate changes on cash and cash equivalents                  | 154        | (363 )     |
| Net change in cash and cash equivalents                                       | (2,540 )   | (1,481 )   |
| Cash and cash equivalents, beginning of year                                  | 3,610      | 5,091      |
| Cash and cash equivalents, end of year  | \$1,070    | \$3,610    |
| Supplemental disclosures:   |            |            |
| Cash paid for interest  | \$1,817    | \$2,628    |
| Cash paid for income taxes  | 26         | -          |

See Notes to Consolidated Financial Statements

Index

NOTE 1. LIQUIDITY, MANAGEMENT PLANS AND GENERAL BUSINESS

Liquidity and Management's Plans

In 2014 and 2015, 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.

In January 2014, we completed the acquisition of Healthy Natural, Inc. (HN), the operations of which are accretive to cash flows. The Brazil segment consists of the consolidated operations of Nutra S.A. LLC (Nutra SA), whose only operating subsidiary is Industria Riograndens De Oleos Vegetais Ltda. (Irgovel), located in Pelotas, Brazil. Irgovel, completed the final stages of a major capital expansion during the first quarter of 2015. Throughout 2014, significant cash was used during the shutdown period and subsequent restart of the plant. In 2015 and 2014, we invested \$3.6 million and \$10.3 million in Nutra SA, to fund Irgovel working capital needs. Operations at Irgovel began to improve during the end of 2015, such that Irgovel should continue to improve its gross profit margins in 2016 subject to raw bran availability. However, there are no assurances that this will occur.

In May 2015, we entered into an \$8 million senior secured credit facility agreement with a lender (the Lender) consisting of a \$3.5 million revolving loan, not to exceed a borrowing base, as defined in the agreement, and an initial \$2.5 million term loan, which term loan may be increased at the Lender's discretion by up to \$2.0 million within 2 years. In February 2016, we issued and sold preferred stock and warrants that netted proceeds of \$2.6 million. Funds received under the facility with the Lender and from the February offering are being used for working capital and capital expenditure needs in both of our operating segments. From January 1, 2016 through March 30, 2016, we have invested an additional \$1.0 million in Nutra SA to fund Irgovel working capital needs. As of March 30, 2016, we may make additional investments in Nutra SA up to \$0.5 million without prior approval of the Lender.

In March 2016, the restricted cash previously held in a \$1.9 million escrow account associated with the purchase of Irgovel (the status of which is discussed further in Note 14 to the consolidated financial statements) was released to us pursuant to a court order. We repaid \$1.0 million of the term note with the Lender upon receipt of funds from the escrow account.

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.

## Index

The USA segment produces 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 2015, approximately 84% of USA segment revenue was from sales of human food products and the remainder was from sales of animal nutrition products.

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 2015, approximately 52% of Brazil segment product revenue was from sales of RBO products and the remainder was from sales of DRB products.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis or Presentation and Principles of Consolidation** – The accompanying consolidated financial statements have been prepared in U.S. dollars and in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from those estimates. The accompanying 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 and Currency Translation** – 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 30, 2016, the Brazilian Real has fallen against the U.S. Dollar since December 31, 2015, by approximately 16%. The Brazilian Real exchange rate to the U.S. Dollar at December 31, 2013 was 0.4228, at December 31, 2014 it was 0.3758 and at December 31, 2015 it was 0.2523.

**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, 2015, 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 net realizable value, 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; while inventory determined to be obsolete is written off immediately.

## Index

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.

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.

When we perform a quantitative estimate of fair value, we use level 3 inputs as defined by the fair value hierarchy. The inputs used to calculate the fair value include a number of subjective factors, such as estimates of future cash flows, estimates of our future cost structure, discount rates for our estimated cash flows, required level of working capital, assumed terminal value, and time horizon of cash flow forecasts. Estimating the fair value of an individual reporting unit requires us to make assumptions and estimates regarding our future plans, industry and economic conditions.

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.

Index

Derivative Warrant Liabilities – We have certain warrant agreements in effect that contain anti-dilution 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 anti-dilution 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. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in Brazil. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that may be different from current estimates of the tax liabilities. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities may result in income tax benefits being recognized in the period when it is determined that the liabilities are no longer necessary.

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, to clarify the principles for recognizing revenue and develop a common revenue standard for GAAP and IFRS. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, applying the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance is effective for our annual and interim periods beginning in 2018. Early adoption is permitted. We continue to assess the potential impact of the guidance.

Index

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. The Company is in the process of determining the impact the new guidance will have on our results of operations and financial position and will determine if we will adopt the standard on a full or modified retrospective basis.

In April 2015, the FASB issued guidance which requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. We elected to early adopt these provisions effective October 1, 2015, retrospectively for all periods presented. As a result, \$0.5 million of debt issuance costs as of December 31, 2015, are presented as a deduction of the related debt in these financial statements. There were no debt issuance costs included in our statement of financial statements as of December 31, 2014.

In July 2015, the FASB issued an amendment which changes the measurement principle for inventory to the lower of cost and net realizable value. Entities are no longer to consider replacement cost or net realizable value less an approximately normal profit margin when measuring inventory. We elected to early adopt these provisions prospectively effective October 1, 2015. Adoption had no impact on our results of operations.

In November 2015, the FASB issued amendments which change the balance sheet classification of deferred income taxes. Previous standards required us to separate deferred income tax liabilities and assets into current and noncurrent amounts in our statements of financial position. The amendments require that deferred tax liabilities and assets be classified as noncurrent in our consolidated statements of financial position. As a result, each jurisdiction will now only have one net noncurrent deferred tax asset or liability. We elected to early adopt these provisions effective October 1, 2015, retrospectively to all periods presented. As a result, a \$171 thousand deferred tax asset previously classified as current as of December 31, 2014, is classified as noncurrent, offsetting deferred tax liabilities in these consolidated financial statements.

In February 2016, the FASB issued amendments which change the accounting for leases. As under prior GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease for us as a lessee depend primarily on its classification as a finance or operating lease. For capital or finance leases, lessees will recognize amortization of the right-of-use asset separately from interest on the lease liability. For operating leases, lessees will recognize a single total lease expense. For both types of leases, lessees will recognize a right-of-use asset and a lease liability. The guidance is effective for our annual and interim periods beginning in 2019 and must be adopted on a modified retrospective approach. 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 and warrants and convertible instruments 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 instruments 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.

Index

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

|  | 2015       | 2014        |
|--|------------|-------------|
| NUMERATOR (in thousands):  |            |             |
| Basic and diluted - net loss attributable to RiceBran Technologies shareholders  | \$(8,268 ) | \$(23,029 ) |
| DENOMINATOR:   |            |             |
| Basic EPS - weighted average number of shares outstanding  | 9,187,983  | 5,809,364   |
| Effect of dilutive securities outstanding  | -          | -           |
| Diluted EPS - weighted average number of shares outstanding  | 9,187,983  | 5,809,364   |
| 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 \$10.04 and \$18.56 ) |            |             |
|  | 305,690    | 201,584     |
| Warrants (average exercise price of \$5.74 and \$5.92)   | 6,879,792  | 4,651,380   |
| Nonvested shares of common stock   | 282,929    | 87,167      |
|  | 7,468,411  | 4,940,131   |

The impacts of potentially dilutive securities outstanding at December 31, 2015 and 2014, were not included in the calculation of diluted EPS in 2015 and 2014 because to do so would be anti-dilutive. Those securities listed in the table above which were anti-dilutive in 2015 and 2014, 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 and nutraceutical and functional food 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.

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 2014 consolidated statement 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 estimate                 | 3,847    |
| Deferred income taxes, net                           | (1,529)  |

Edgar Filing: RiceBran Technologies - Form 10-K

|  |         |
|--|---------|
| Financial liabilities                                  | (1,709) |
| Net recognized amounts of identifiable assets acquired | 3,995   |
| Goodwill - USA segment                                 | \$790   |

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 as follows: \$1.7 million in 2014, \$1.3 million in 2015 and \$0.8 million in 2016. In 2015, we recognized \$1.3 million of amortization expense in the USA segment related to this intangible.

IndexNOTE 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, |           |
|---|--------------|-----------|
|   | 2015         | 2014      |
| Cash and cash equivalents                             | \$ 104       | \$ 269    |
| Other current assets (restricted \$1,003 and \$1,980) | 2,760        | 4,735     |
| Property, net (restricted \$2,102 and \$3,727)        | 9,502        | 15,258    |
| Goodwill and intangibles, net                         | 2,468        | 3,722     |
| Other noncurrent assets                               | 43           | 34        |
| Total assets  | \$ 14,877    | \$ 24,018 |
| Current liabilities                                   | \$ 4,647     | \$ 5,346  |
| Current portion of long-term debt (nonrecourse)       | 2,750        | 4,758     |
| Long-term debt, less current portion (nonrecourse)    | 3,553        | 6,203     |
| Total liabilities                                     | \$ 10,950    | \$ 16,307 |

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.

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 2015 and 2014, we invested \$3.6 million and \$10.3 million in Nutra SA. From January 1, 2016 through March 30, 2016, we invested an additional \$1.0 million in Nutra SA. As of March 30, 2016, we may make additional investments in Nutra SA up to \$0.5 million without prior approval of the Lender.

A summary of changes in redeemable noncontrolling interest and the Investor's interest in Nutra SA follows (in thousands):

|   | 2015     | 2014     |
|---|----------|----------|
| Redeemable noncontrolling interest in Nutra SA, beginning of period     | \$ 2,643 | \$ 7,177 |
| Investors' interest in net loss of Nutra SA                             | (2,308)  | (3,598)  |
| Investors' interest in accumulated other comprehensive loss of Nutra SA | (839 )   | (483 )   |
| Investors' purchase of additional units                                 | -        | 120      |
| Accumulated Yield classified as other current liability                 | 573      | (573 )   |
| Redeemable noncontrolling interest in Nutra SA, end of period           | \$ 69    | \$ 2,643 |
| Investors' average interest in Nutra SA during the period               | 32.9 %   | 40.0 %   |
| Investors' interest in Nutra SA as of period end                        | 32.0 %   | 34.7 %   |

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, 2015. 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 original limited liability company agreement for Nutra SA (LLC agreement), as amended, any units held by the Investors beginning January 1, 2014, accrued a yield at 4% (Yield). The LLC agreement was further amended in August 2015 to eliminate the Yield, which resulted in the reversal of the Yield accrued since January 1, 2014, in the amount of \$0.5 million.

Index

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 us and the Investors in proportion to our additional capital preference percentages (with respect to us, this means total contributions we make on or after June 3, 2015 as a percentage of the total contributions we make after June 3, 2015 plus the amount contributed by the investors as of April 30, 2015; with respect to the Investors, this means the amount contributed by the investors as of April 30, 2015, as a percentage of the amount contributed by the investors as of April 30, 2015, plus total contributions we make on or after June 3, 2015), (ii) second, to the Investors in an amount equal to 2.0 times the Investors' capital contributions, less the aggregate amount of distributions paid to the Investors, (iii) third, to us in an amount equal to twice the capital contributions made by us, less the aggregate amount of distributions paid to us; and (iv) fourth, 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, 2015, 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 on a local currency basis of at least R\$4.0 million annually.

As of December 31, 2015, there have been no qualifying events. The LLC agreement defines a qualifying event as the bankruptcy of RiceBran Technologies or Nutra SA.

The Investors have drag along rights, the right to force the sale of all Nutra SA assets after January 1, 2018. 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.

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 31% of our revenues in 2015, 28% of our revenues in 2014, and 3% of our accounts receivable as of both December 31, 2015 and 2014. A second USA segment customer accounted for 2% of our sales in 2015, 1% of our sales in 2014, and 3% of our outstanding accounts receivable at both December 31, 2015 and 2014. A third USA segment customer, accounted for 1% of our sales in 2015 and 5% of our



outstanding accounts receivable at December 31, 2015, less than 1% of our sales in 2014 and less than 1% of accounts receivable as of December 31, 2014. A fourth Brazil segment customer accounted for approximately 9% and 3% of our sales in 2015 and 2014 and approximately 17% and 22% of our accounts receivable at December 31, 2015 and 2014

As of December 31, 2015, 192 of our 264 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, 2015, consolidated accounts receivable, net includes \$1.0 million of Brazil segment accounts receivable.

IndexNOTE 7. INVENTORIES

Inventories are composed of the following (in thousands):

|                    | As of        |         |
|--------------------|--------------|---------|
|                    | December 31, |         |
|                    | 2015         | 2014    |
| Finished goods     | \$1,575      | \$1,103 |
| Work in process    | 270          | 380     |
| Raw materials      | 1,259        | 1,441   |
| Packaging supplies | 753          | 584     |
| Total inventories  | \$3,857      | \$3,508 |

NOTE 8. PROPERTY

Property consists of the following (in thousands):

|                               | As of December |          |                               |
|-------------------------------|----------------|----------|-------------------------------|
|                               | 31,            |          |                               |
|                               | 2015           | 2014     | Estimated Useful Lives        |
| Land                          | \$323          | \$364    |                               |
| Furniture and fixtures        | 433            | 539      | 5-10 years                    |
| Plant                         | 13,122         | 15,942   | 25-30 years, or life of lease |
| Computer and software         | 1,594          | 1,701    | 3-5 years                     |
| Leasehold improvements        | 640            | 568      | 4-7 years or life of lease    |
| Machinery and equipment       | 17,782         | 21,880   | 5-10 years                    |
| Subtotal                      | 33,894         | 40,994   |                               |
| Less accumulated depreciation | 15,566         | 16,241   |                               |
| Property, net                 | \$18,328       | \$24,753 |                               |

Effective June 30, 2015, as a result of plant operational changes, Irgovel extended the estimated useful lives on its machinery and equipment from an average of 5 years to an average of 10 years. As a result, 2015 depreciation in cost of goods sold was approximately \$0.3 million lower than it would have been prior to the change and loss per share was impacted favorably in 2015 by approximately \$0.04 per share.

NOTE 9. INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of the following (in thousands):

|                          | USA Segment |            | Brazil Segment |                | Total             |           |
|--------------------------|-------------|------------|----------------|----------------|-------------------|-----------|
|                          | Patents     | Trademarks | Customer Lists | Customer Lists | Intangible Assets |           |
| <u>December 31, 2015</u> |             |            |                |                |                   |           |
| Cost                     | \$1,498     | \$ 76      | \$ 6,524       | \$ 2,607       | \$ 953            | \$ 11,658 |
| Accumulated amortization | (1,215)     | -          | (5,658)        | (2,607)        | (953)             | (10,433)  |
| Net book value           | \$283       | \$ 76      | \$ 866         | \$-            | \$ -              | \$ 1,225  |
| <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)   |

Edgar Filing: RiceBran Technologies - Form 10-K

|                        |             |            |                |         |         |         |
|------------------------|-------------|------------|----------------|---------|---------|---------|
| Net book value         | \$401       | \$ 76      | \$ 2,181       | \$60    | \$ 22   | \$2,740 |
| Estimated useful lives | 17<br>years | Indefinite | 3 - 7<br>years | 7 years | 7 years |         |

Index

Amortization expense was \$1.5 million in the years ended December 31, 2015, expected to be \$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 2015 and 2014.

|   | 2015    | 2014    |
|---|---------|---------|
| Goodwill, beginning of period                           | \$4,431 | \$4,139 |
| USA segment - Acquisition of HN                         | -       | 790     |
| Brazil segment - Effect of foreign currency translation | (1,173) | (498)   |
| Goodwill, end of period                                 | \$3,258 | \$4,431 |

We performed a quantitative analysis of our Brazil segment goodwill as of December 31, 2015. With the assistance of a valuation specialist, we calculated the net present value of Brazil segment estimated cash flows using a risk adjusted discount rate, in order to estimate the fair value of that reporting unit from the perspective of a market participant. We used discount rates and terminal growth rates of approximately 24% and 5%, respectively, to calculate the present value of estimated future cash flows. While the quantitative analysis indicated no impairment of Brazil segment goodwill existed as of December 31, 2015, if the future performance of that reporting unit falls short of our expectations or if there are significant changes in risk-adjusted discount rates due to changes in market conditions, we could be required to recognize material impairment charges in future periods.

NOTE 10. DEBT

The following table summarizes current and long-term portions of debt as of December 31, 2015 and 2014 (in thousands):

|  | 2015     | 2014     |
|--|----------|----------|
| Corporate segment:   |          |          |
| Senior revolving loan  | \$1,617  | \$-      |
| Senior term note, net  | 1,407    | -        |
| Subordinated notes, net, maturing in May 2018, principal \$6.2 million | 6,310    | -        |
| Subordinated notes, net, due in July 2016, principal \$0.2 million     | 205      | 4,978    |
| Other  | 116      | 157      |
|  | 9,655    | 5,135    |
| Brazil segment:  |          |          |
| Capital expansion loans  | 2,067    | 3,629    |
| Working capital lines of credit  | 828      | 2,408    |
| Advances on customer export orders                                     | 1,310    | 1,810    |
| Special tax programs   | 2,064    | 3,016    |
| Other  | 34       | 98       |
|  | 6,303    | 10,961   |
| Total debt   | 15,958   | 16,096   |
| Current portion  | 5,050    | 4,808    |
| Long-term portion  | \$10,908 | \$11,288 |

Required future minimum payments on our debt as of December 31, 2015, follow (in thousands).

|      | Corporate Segment | Brazil Segment | Total   |
|------|-------------------|----------------|---------|
| 2016 | \$ 2,339          | \$ 2,751       | \$5,090 |
| 2017 | 1,821             | 637            | 2,458   |
| 2018 | 6,607             | 555            | 7,162   |

Edgar Filing: RiceBran Technologies - Form 10-K

|                     |          |          |           |
|---------------------|----------|----------|-----------|
| 2019                | -        | 493      | 493       |
| 2020                | -        | 416      | 416       |
| Thereafter          | -        | 1,451    | 1,451     |
|                     | 10,767   | 6,303    | 17,070    |
| Debt issuance costs | (1,112 ) | -        | (1,112 )  |
| Total debt          | \$ 9,655 | \$ 6,303 | \$ 15,958 |

IndexCorporate SegmentSenior Revolving Loan and Term Note

In May 2015, we entered into an \$8 million senior secured credit facility agreement with a lender (the Lender) consisting of a \$3.5 million revolving loan, not to exceed a borrowing base, as defined in the agreement, and an initial \$2.5 million term loan, which term loan may be increased at the Lender's discretion by up to \$2.0 million within 2 years. The funds will be used for general corporate purposes and to provide working capital to facilitate future growth. The facility is secured by a senior interest in substantially all of our assets, excluding half of our interest in Nutra SA and RBT PRO, LLC. The credit facility matures on June 1, 2018, with the potential for two one-year maturity extensions. The loan bears interest at a variable interest rate based on LIBOR, with a 0.75% floor and 1.25% cap, plus 10.75% per annum, (11.5% at December 31, 2015) and we will pay certain fees under the agreement. Interest on the term loan is payable quarterly and principal payments of \$0.1 million are payable quarterly beginning in October 2016 until the \$1.4 million remainder is payable at maturity. We issued a warrant to purchase 300,000 shares of common stock (exercise price of \$5.25, May 2020 expiration) to the Lender. As of December 31, 2015, the fair value of the warrant is \$0.3 million. As of December 31, 2015, the remaining unamortized discount on the term note is \$0.6 million. As of December 31, 2015, the remaining unamortized debt issuance costs related to the term note was \$0.5 million. We accrete the term note up to its face value at an effective interest rate of 27.5% per year, 30.5% including amortization of debt issuance costs.

The May 2015 agreement with the Lender included certain financial and non-financial covenants such as a requirement that we maintain \$2.0 million of total liquidity at all times which is defined as \$1.0 million in cash on hand and \$1.0 million of available borrowings. In February 2016, we entered into an agreement with the Lender which modified the financial covenants to require that (a) from February 1, 2016 to July 15, 2016, we maintain cash on hand, including availability under our revolving loan with the Lender, of not less than \$1.5 million provided that at least \$0.8 million of such amount must be in the form of cash on hand, and (b) we maintain an average monthly adjusted EBITDA, as defined by the agreement, calculated over each consecutive three-month period beginning on January 1, February 1, March 1, April 1 and May 1, 2016, of not less than \$0.1 million. The Lender also waived, for the first two quarters of 2016, any non-compliance with the financial covenants in the May 2015 agreement. The amendment with the Lender requires that we repay \$1.0 million of the senior term note which occurred on March 24, 2016. In consideration for the amendments, we paid and expensed \$0.1 million to the Lender in 2016.

Subordinated Notes

In May 2015, the terms of subordinated notes in the principal amount of \$6.3 million were amended to extend the maturity dates from July 2016 to May 2018 and change the interest rate from 5% per year to an annual interest rate of a rate determined as a function of LIBOR (as defined in the amendment) plus 11% (currently 11.75%) (the Note Amendment). Interest is payable quarterly. Principal is payable in seven quarterly installments of \$0.3 million beginning in October 2016, with the remainder of principal due in May 2018. The holders of these notes received warrants to acquire 289,670 shares of common stock in the aggregate (exercise price of \$5.25, May 2020 expiration). We accounted for the amendment as an extinguishment and reissuance. We recognized a \$1.9 million loss on extinguishment equal to the total of (i) the difference between the \$5.1 million carrying value of the notes on the date of the transaction and the \$6.3 million face value of the notes and (ii) the \$0.7 million fair value of the warrants at issuance. These notes are secured by a subordinated interest in substantially all of our assets, excluding our interest in Nutra SA and RBT PRO, LLC.

The terms of subordinate notes in the principal amount of \$0.2 million were not modified in May 2015. These notes bear an interest rate of 5% per year, payable quarterly, and mature in July 2016. We accrete these notes up to their face value at an effective interest rate of 24.5%. As of December 31, 2015, the remaining unamortized debt discount related to these notes was less than \$0.1 million. These notes are secured by a subordinated interest in substantially all

of our assets, excluding our interest in Nutra SA and RBT PRO, LLC.

Brazil Segment

All Brazil segment debt is denominated in the Brazilian Real (R\$), except advances on customer export orders which are denominated in U.S. Dollars.

48

---

Index

Capital Expansion Loans

In December 2011, Irgovel entered into loan agreements with the Bank of Brazil. As of December 31, 2015, the remaining notes held a principal balance of R\$8.2 million. The annual interest rate on the loans is 6.5%, payable quarterly and the loans mature December 2021. Irgovel must make monthly principal payments under each of the loans. In July 2012, Irgovel entered into an agreement with the bank under which it borrowed R\$1.7 million at an annual interest rate of 5.5%. Interest is payable quarterly on the amounts outstanding and the maturity date of the loans is July 2019. Irgovel must make monthly principal payments under the loans. The capital expansion loans are secured by the related equipment.

Working Capital Lines of Credit

Irgovel has working capital lines of credit secured by accounts receivable. The total amount of borrowing cannot exceed 40%-100% of the collateral, depending on the agreement. The annual interest rates on this debt range from 8.4% to 135.6%, and average 31.5%. Principal maturities of amounts outstanding extend through September 2017.

Advances on Customer Export Orders

Irgovel obtains advances against certain customer export orders from various banks. The annual interest rates on these advances range from 5.5% to 13.0%, and average 9.9%. Principal maturities of amounts outstanding extend through June 2016.

Special Tax Programs

Irgovel has an unsecured note payable for Brazilian federal and social security taxes under special Brazilian government tax programs. Principal and interest payments are due monthly through January 2029. Interest on the notes is payable monthly at the Brazilian SELIC target rate, which was 14.3% at December 31, 2015.

Provisions and Covenants

As of December 31, 2015, we are in compliance with the provisions and covenants associated with our debt agreements, as modified and discussed above.

NOTE 11. EQUITY AND SHARE-BASED COMPENSATION

In February 2016, our board of directors authorized the issuance of 3,000 shares of Series F convertible preferred stock. The preferred stock is non-voting and may be converted into a total of 2,000,000 shares of our common stock at the holder's election at any time, subject to certain beneficial ownership limitations, at a ratio of 1 preferred share for 666.66666 shares of common stock. The preferred stock is only entitled to receive dividends if we declare dividends, in which case the dividend will be paid (i) first an amount equal to \$0.01 per share of preferred stock and (ii) then to and in the same form as dividends paid on shares of our common stock. Otherwise, the preferred stock has no liquidation or other preferences over our common stock.

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.

We have never declared or paid dividends on our common stock and have no plans to pay dividends in the foreseeable future. We are restricted from paying dividends or making other distributions to shareholders without prior approval from the Lender. 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 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.

## Index

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 the 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 the Debt Conversions section, these notes converted in May 2014.

In 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 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.

In February 2016, we issued and sold 3,000 shares of preferred stock for \$1,000 per share, and sold warrants to purchase 2,660,000 shares of common stock (exercise price of \$2.00 per share, exercisable beginning August 2016, April 2021 expiration). The underwriters of the offering also received a cash fee of \$0.2 million. The net proceeds from the offering was \$2.6 million, after deducting underwriting discounts and commissions and other estimated cash offering expenses of \$0.4 million. As a result of this offering, we were required under our warrants that contain full ratchet anti-dilution provisions to reduce the exercise price on certain warrants from \$5.24 per share to \$1.50 per share and to increase the number of shares of common stock underlying these warrants from 426,489 shares to 1,489,868 shares.

## 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 certain former warrant holders. 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).

Index

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.

Other Stock Issuances

In February 2016, we issued 950,000 shares of common stock to a supplier. The shares are being held in escrow until earned (as defined in our agreement) by the supplier at a fixed price of \$2.80 per share. While in escrow, the shares are subject to a voting agreement, pursuant to which the escrowed shares will be voted, or not voted, to match the vote of our other outstanding common stock on a pro rata percentage basis, in order to ensure no shareholder votes are impacted.

In a 2013 transaction, we agreed to issue former warrant holders and a note holder 1,688,985 shares of our common stock. The shares were not required to be issued until after our shareholders approved an increase in our authorized shares of common stock, which occurred on May 30, 2014.

Equity Incentive Plans, Options and Warrants

A summary of stock option and warrant activity for 2015 and 2014 follows.

|                                 | Options              |                                 |   | Equity and Liability Warrants |                                 |   |
|---------------------------------|----------------------|---------------------------------|---|-------------------------------|---------------------------------|---|
|                                 | Shares Under Options | Weighted Average Exercise Price | Weighted Remaining Contractual Life (Years) | Shares Under Warrants         | Weighted Average Exercise Price | Weighted Remaining Contractual Life (Years) |
| Outstanding, January 1, 2014    | 179,437              | \$ 24.28                        | 6.2   | 2,406,282                     | \$ 6.33                         | 4.5   |
| Granted or issued               | 141,134              | 4.77                            |   | 4,262,436                     | 5.44                            |   |
| Exercised                       | -                    | NA                              |   | -                             | NA                              |   |
| Forfeited, expired or cancelled | (50,929)             | 34.61                           |   | (164,759)                     | 5.24                            |   |
| Outstanding, December 31, 2014  | 269,642              | 12.12                           | 7.9   | 6,503,959                     | 5.77                            | 4.3   |
| Granted or issued               | 110,993              | 3.26                            |   | 589,669                       | 5.25                            |   |
| Exercised                       | -                    | NA                              |   | -                             | NA                              |   |
| Forfeited, expired or cancelled | (22,838)             | 20.21                           |   | -                             | NA                              |   |
| Outstanding, December 31, 2015  | 357,797              | \$ 8.86                         | 7.8   | 7,093,628                     | \$ 5.73                         | 3.4   |
| Exercisable, December 31, 2015  | 188,301              | \$ 13.14                        | 6.6   | 7,093,628                     | \$ 5.73                         | 3.4   |

Our board of directors adopted our 2014 Equity Incentive Plan in August 2014 (2014 Plan), after the plan was approved by shareholders. A total of 1,600,000 shares of common stock were initially reserved for issuance under the

plan. Under the terms of the plan, we may grant options to purchase common stock and shares of common stock to officers, directors, employees or consultants providing services on such terms as are determined by the board of directors. Our board of directors administers the plan, determines vesting schedules on plan awards and may accelerate the vesting schedules for award recipients. The options granted under the plan have terms of up to 10 years. As of December 31, 2015, options to purchase 241,239 shares have been issued and remain outstanding, 420,667 common shares have been issued and remain outstanding and 938,094 shares are reserved for future grants under the 2014 Plan.

Index

Our board of directors adopted our 2010 Equity Incentive Plan (2010 Plan) in February 2010. A total of 125,000 shares of common stock were initially reserved for issuance under the plan. The amount reserved increased annually each January 1st by 5% of the outstanding shares as of the prior December 31st. Additionally, in 2011 the board approved a 40,000 increase in the number of shares of common stock reserved under the plan. Under the terms of the 2010 Plan, we could grant options to purchase common stock and shares of common stock to officers, directors, employees or consultants providing services on such terms as are determined by the board of directors. Our board of directors administered the 2010 Plan, determined vesting schedules on plan awards and could accelerate the vesting schedules for award recipients. The options granted under the 2010 Plan have terms of up to 10 years. In 2013, the board of directors froze the 2010 Plan and there are no longer any shares reserved for future grants.

Our board of directors adopted the 2005 Equity Incentive Plan (2005 Plan) in May 2005 and our shareholders approved the 2005 Plan in September 2005. Under the terms of the 2005 Plan, we could grant options to purchase common stock and shares of common stock to officers, directors, employees or consultants providing services on such terms as are determined by the board of directors. Options granted under the 2005 Plan have terms of up to 10 years. There are no longer any shares reserved for future grants under the 2005 Plan.

Share-based compensation expenses related to option and stock grants issued to employees and directors are included in selling, general and administrative expenses in the statements of operations, and consisted of the following (in thousands):

|  | 2015  | 2014  |
|--|-------|-------|
| Stock Options:                         |       |       |
| Employees                              | \$128 | \$132 |
| Executive officers                     | 117   | 136   |
| Consultants                            | 1     | 4     |
| Directors                              | -     | 11    |
| Stock:                                 |       |       |
| Directors                              | 269   | 332   |
| Executive officers                     | 342   | 114   |
| Total share-based compensation expense | \$857 | \$729 |

In June 2015, we issued shares of common stock to directors and executive officers at a grant date fair value of \$3.38 per share. We issued 67,003 shares which vest in equal annual installments over the next three years and 72,044 shares which vest in June 2016 (or at the next annual shareholder meeting date if earlier). In August 2014, we issued shares of common stock to directors and executive officers at a grant date fair value of \$4.91 per share. We issued 44,026 shares which vested in August 2014, 52,412 shares which vested in June 2015 and 185,182 shares which vest in August 2017. In 2015, we recognized \$0.6 million in compensation related to these issuances. As of December 31, 2015, we expect to recognize the remaining \$0.8 million of unrecognized compensation for the nonvested shares over a weighted average period of 1.7 years.

As of December 31, 2015, our outstanding options have no intrinsic value. The average fair value of options granted was \$2.68 per share in 2015 and \$4.29 per share in 2014. The following are the assumptions used in valuing stock options:

|                                 | 2015  | 2014   |
|---------------------------------|---|--------|
| Assumed volatility              | 90.7% - 112.5%<br>(112.0%<br>weighted<br>average) | 119.9% |
| Assumed risk free interest rate | 0.9% - 1.6%                                       | 1.7%   |

Edgar Filing: RiceBran Technologies - Form 10-K

|   |                            |     |
|---|----------------------------|-----|
|   | (1.6% weighted<br>average) |     |
| Average expected life of options (in years) | 6.2                        | 6.2 |
| Expected dividends                          | -                          | -   |
| Forfeiture rate                             | 5%                         | 5%  |

52

---

Index

The following table summarizes information related to outstanding and exercisable options:

| Range of Exercise Prices | As of December 31, 2015   |                                 |   | As of December 31, 2015   |                                 |   |
|--------------------------|---------------------------|---------------------------------|---|---------------------------|---------------------------------|---|
|                          | Outstanding               |                                 |   | Exercisable               |                                 |   |
|                          | Shares Underlying Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Shares Underlying Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) |
| \$ 1.98 to \$2.97        | 34,862                    | \$ 2.83                         | 9.7   | 3,849                     | 2.85                            | 9.7   |
| \$2.98 to \$3.47         | 75,243                    | 3.47                            | 9.5   | 12,540                    | 3.47                            | 9.5   |
| \$3.48 to \$4.77         | 131,134                   | 4.77                            | 8.6   | 58,236                    | 4.77                            | 8.6   |
| \$4.78 to \$16.00        | 109,267                   | 15.77                           | 5.3   | 105,449                   | 15.84                           | 5.2   |
| \$28.00                  | 1,457                     | 28.00                           | 7.2   | 1,457                     | 28.00                           | 7.2   |
| \$40.00                  | 2,834                     | 40.00                           | 5.8   | 2,834                     | 40.00                           | 5.8   |
| \$74.00                  | 2,500                     | 74.00                           | 5.2   | 2,436                     | 74.00                           | 5.2   |
| \$242.00                 | 500                       | 242.00                          | 0.0   | 500                       | 242.00                          | 0.0   |
| \$4.77 to \$242.00       | 357,797                   | \$ 8.86                         | 7.8   | 187,301                   | \$ 13.14                        | 6.6   |

The following table summarizes equity and liability warrant activity during 2015 and 2014:

|                                 | Equity Warrants           |                                 |   | Liability Warrants        |                                 |   |
|---------------------------------|---------------------------|---------------------------------|---|---------------------------|---------------------------------|---|
|                                 | Shares Underlying Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Shares Underlying Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) |
| Balance, January 1, 2014        | 1,815,034                 | \$ 6.69                         | 5.0   | 591,248                   | \$ 5.24                         | 2.9   |
| Granted                         | 4,262,436                 | 5.44                            |   | -                         | NA                              |   |
| Exercised                       | -                         | NA                              |   | -                         | NA                              |   |
| Forfeited, expired or cancelled | -                         | NA                              |   | (164,759)                 | 5.24                            |   |
| Outstanding, December 31, 2014  | 6,077,470                 | 5.81                            | 4.4   | 426,489                   | 5.24                            | 2.9   |
| Granted                         | 289,669                   | 5.25                            |   | 300,000                   | 5.25                            |   |
| Exercised                       | -                         | NA                              |   | -                         | NA                              |   |
| Forfeited, expired or cancelled | -                         | NA                              |   | -                         | NA                              |   |
| Outstanding, December 31, 2015  | 6,367,139                 | \$ 5.73                         | 3.4   | 726,489                   | \$ 5.24                         | 2.9   |
| Exercisable, December 31, 2015  | 6,367,139                 | \$ 5.73                         | 3.4   | 726,489                   | \$ 5.24                         | 2.9   |

In addition to the warrants issued in connection with the offerings previously described in the Stock, Convertible Note and Warrant Offerings section, we issued the following:

In 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 May 2015, we issued a warrant to purchase 300,000 shares of common stock (exercise price of \$5.25, May 2020 expiration) to our senior lender.

In May 2015, we issued warrants to purchase 289,669 shares of common stock (exercise price of \$5.25, May 2020 expiration) in conjunction with the extinguishment and reissuance of certain subordinated notes.



Index

The following table summarizes information related to outstanding and exercisable warrants:

| Range of Exercise Prices | Type of Warrant | Outstanding           |                                 |   | Exercisable           |                                 |   |
|--------------------------|-----------------|-----------------------|---------------------------------|---|-----------------------|---------------------------------|---|
|                          |                 | Shares Under Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Shares Under Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) |
| \$5.24                   | Liability (1)   | 426,489               | \$ 5.24                         | 1.9   | 426,489               | \$ 5.24                         | 1.9   |
| \$5.25                   | Liability (2)   | 300,000               | 5.25                            | 4.4   | 300,000               | 5.25                            | 4.4   |
| \$5.25 to \$5.87         | Equity          | 4,296,339             | 5.36                            | 3.7   | 4,296,339             | 5.36                            | 3.7   |
| \$6.55 to \$6.63         | Equity          | 2,055,767             | 6.55                            | 3.0   | 2,055,767             | 6.55                            | 3.0   |
| \$16.00 to \$16.80       | Equity          | 12,004                | 16.40                           | 2.5   | 12,004                | 16.40                           | 2.5   |
| \$46.80                  | Equity          | 3,029                 | 46.80                           | 1.0   | 3,029                 | 46.80                           | 1.0   |
|                          |                 | 7,093,628             | \$ 5.73                         | 3.4   | 7,093,628             | \$ 5.73                         | 3.4   |

The warrants contain full ratchet anti-dilution provisions and are classified as derivative warrant liabilities in our balance sheets. Under the anti-dilution clauses contained in these warrants, in the event of equity issuances at prices below the exercise prices of these warrants, we may be required to lower the exercise price on these warrants and increase the number of shares underlying these warrants. Equity issuances may include issuances of our common stock, certain awards of options to employees, and issuances of warrants and/or other convertible instruments. As a result of February 2016 equity issuances, in February 2016, we were required to lower the exercise price on these warrants to \$1.50 per share and increase the number of shares of common stock underlying these warrants to 1,489,867 shares.

The warrant, issued in May 2015 to the Lender, contains a most favored nations anti-dilution provisions. Under that provision, in the event of issuances of options and/or convertible instruments with anti-dilution provision (providing for the adjustment of the exercise price, conversion price or other price or rate at which shares of common stock thereunder may be purchased, acquired or converted, and/or any upward adjustment in the number of shares of common stock issuable) we may be required to lower the exercise price on this warrant and and/or increase the number of shares underlying this warrant. The warrant is classified as derivative warrant liabilities in our balance sheets.

NOTE 12. EQUITY METHOD INVESTMENT

In 2013, we entered into a series of agreements with various affiliates of Wilmar International Limited (collectively Wilmar). In connection therewith, we sold a 50% membership interest in RBT PRO, LLC (RBT PRO) to Wilmar. RBT PRO granted a royalty free, perpetual sublicense of its license to use processes related to deriving protein from bran to Wilmar for exclusive use throughout China. We account for our investment in RBT PRO under the equity method. Any royalty revenue derived from that same license would be revenue of RBT PRO. Our investment in RBT PRO was zero as of December 31, 2015 and 2014, and RBT PRO has had no net income or loss since inception.

We also entered into a cross license agreement with Wilmar, and under the agreements, we obtained rights to purchase a percentage 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.

IndexNOTE 13. INCOME TAXES

Deferred tax assets (liabilities) are comprised of the following (in thousands):

|  | As of December 31, |          |
|--|--------------------|----------|
|  | 2015               | 2014     |
| <u>United States</u>                             |                    |          |
| Net operating loss carryforwards                 | \$ 4,007           | \$ 2,503 |
| Gain on sale of membership interests in Nutra SA | 366                | 369      |
| Stock options and warrants                       | 719                | 625      |
| Property   | (174 )             | (80 )    |
| Intangible assets                                | (274 )             | (797 )   |
| Capitalized expenses                             | 462                | 525      |
| Debt and deferred financing                      | 329                | (116 )   |
| Other  | 345                | 642      |
| Net deferred tax assets                          | 5,780              | 3,671    |
| Less: Valuation allowance                        | (5,814 )           | (3,896 ) |
| Deferred tax asset (liability)                   | (34 )              | (225 )   |
| <u>Brazil</u>                                    |                    |          |
| Property   | (731 )             | (1,141 ) |
| Intangible assets                                | -                  | (28 )    |
| Net operating loss carryforwards                 | 4,320              | 4,666    |
| Other  | 360                | 370      |
| Net deferred tax assets                          | 3,949              | 3,867    |
| Less: Valuation allowance                        | (3,949 )           | (3,867 ) |
| Deferred tax asset (liability)                   | \$ -               | \$ -     |

Deferred taxes arise from temporary differences in the recognition of certain expenses for tax and financial reporting purposes. We have determined it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly we have provided a valuation allowance for deferred tax assets. Our valuation allowance is on U.S. and Brazil deferred tax assets. The change in valuation allowance of \$2.0 million in 2015 was due to (i) \$2.3 million in net operating loss and (ii) \$0.1 million for the change in the valuation allowance against Brazil deferred tax assets, net of \$1.6 million impact from foreign currency translation, offset by (i) the \$0.1 million impact of net operating losses expiring and those being limited due to ownership changes (ii) \$0.3 million of adjustments to stock compensation deferrals and other items. The change in valuation allowance of \$47.1 million in 2014 was due to (i) \$2.5 million in net operating loss and (ii) \$3.0 million for the change in the valuation allowance against Brazil deferred tax assets, net of \$0.6 million impact from foreign currency translation, offset by (i) the \$41.8 million impact of net operating losses expiring and those being limited due to ownership changes (ii) \$0.9 million from the impact of state rate changes (iii) \$1.3 million from the establishment of deferred tax liabilities in the acquisition of HN (iv) \$1.1 million of adjustments to intangibles and stock compensation deferrals, and (v) \$7.5 million of adjustment to fixed asset deferred balance as a result of an accounting method change.

As of December 31, 2015, net operating loss carryforwards for U.S. federal tax purposes totaled \$10.0 million and expire at various dates from 2018 through 2035. Net operating loss carryforwards for state tax purposes totaled \$13.6 million as of December 31, 2015, and expire at various dates from 2016 through 2035. As of December 31, 2015, net operating loss carryforwards for Brazil tax purposes totaled \$12.7 million and do not expire but may be subject to substantial annual limitations (generally 30% of taxable income in any year).

Due to offerings and conversions occurring between December 2013 and May 2014, we believe our ability to utilize previously accumulated net operating loss carryforwards are subject to substantial annual limitations due to “change in

ownership” provisions of the Internal Revenue Code of 1986, as amended, and similar state regulations. Therefore in 2014, we recorded the impact of the expiration of substantial net operating loss carryforwards prior to utilization. We have not yet completed a formal analysis to determine the exact amount of such limitation, therefore, our estimate of the annual limitation is subject to change.

We are subject to taxation in the U.S. and various states. We record liabilities for income tax contingencies based on our best estimate of the underlying exposures. We are open for audit by the IRS for years after 2012 and, generally, by U.S. state tax jurisdictions after 2011. We are open for audit by the Brazilian tax authorities for years after 2011.

Index

Loss before income taxes is comprised of the following (in thousands):

|                          | 2015       | 2014       |
|--------------------------|------------|------------|
| Foreign                  | \$(5,136 ) | \$(10,504) |
| Domestic                 | (5,616 )   | (17,427)   |
| Loss before income taxes | \$(10,752) | \$(27,931) |

Foreign earnings are assumed to be permanently reinvested. U.S. federal income taxes have not been provided on undistributed earnings of our foreign subsidiary.

The income tax benefit of \$0.2 million in 2015 and \$1.3 million in 2014 is all related to U.S. federal and state deferred tax benefit.

Reconciliations between the amount computed by applying the U.S. federal statutory tax rate (34%) to loss before income taxes, and income tax benefit follows (in thousands):

|  | 2015      | 2014       |
|--|-----------|------------|
| Income tax benefit at federal statutory rate                               | \$(3,656) | \$(9,496 ) |
| Increase (decrease) resulting from:  |           |            |
| State tax benefit, net of federal tax effect                               | (176 )    | (206 )     |
| Change in valuation allowance  | 3,601     | (46,511)   |
| Expiration of U.S. net operating losses                                    | 101       | 41,756     |
| Adjustment to fixed asset deferred balance                                 | -         | 7,450      |
| Adjustment to intangible deferred balances                                 | -         | 484        |
| Reduction in deferred balances for forfeited, expired or cancelled options | 75        | 597        |
| Nontaxable fair value adjustment   | (340 )    | 411        |
| Nondeductible debt issuance expenses                                       | 19        | 3,179      |
| Impact of state rate changes   | 16        | 917        |
| Nondeductible expenses   | 91        | 37         |
| Adjustments to Brazil deferred balances                                    | -         | 15         |
| Adjustments to U.S. deferred balances                                      | 93        | 63         |
| Income tax benefit   | \$(176 )  | \$(1,304 ) |

We recognize interest and penalties related to uncertain tax positions in selling, general and administrative expenses. We have not identified any uncertain tax positions requiring a reserve as of December 31, 2015 or 2014. We may be subject to potential examination by various taxing authorities in the US and Brazil. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with federal and state tax laws. We do not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

NOTE 14. COMMITMENTS AND CONTINGENCIESEmployment Contracts

We have entered into employment and other agreements with certain executives and other employees that provide for compensation and certain other benefits. These agreements provide for severance payments under certain circumstances.

In the normal course of business, we periodically enter into employment agreements which incorporate indemnification provisions. While the maximum amount to which we may be exposed under such agreements cannot

be reasonably estimated, we maintain insurance coverage, which we believe will effectively mitigate our obligations under these indemnification provisions. No amounts have been recorded in our financial statements with respect to any obligations under such agreements.

#### Leases

We lease certain properties under various operating lease arrangements that expire over the next twenty one years. These leases generally provide us with the option to renew the lease at the end of the lease term. Future minimum payments under these commitments as of December 31, 2015, are as follows: \$0.7 million for 2016; \$0.4 million in 2017; \$0.3 million in 2018; \$0.2 million in 2019; \$0.1 million in 2020 and \$0.8 million thereafter. We incurred rent expense of \$0.7 million in 2015 and \$0.8 million in 2014.

Index

Litigation

In addition to the matters discussed below, from time to time we are involved in litigation incidental to the conduct of our business. 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. While the outcome of lawsuits and other proceedings against us cannot be predicted with certainty, in the opinion of management, individually or in the aggregate, no such lawsuits are expected to have a material effect on our financial position or results of operations. Defense costs are expensed as incurred and are included in professional fees.

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 \$3.0 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.

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 assert 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.

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, 2015, the balance in the escrow account was \$1.9 million and is included in restricted cash in our balance sheets. On January 12, 2016, the US District Court for the District of Arizona entered a final judgment in our favor for a total of \$1.9 million plus interest. On March 24, 2016, the \$1.9 million in the escrow account was released to us to fund the award owed to us by the Sellers and, as required under an agreement with the Lender, we repaid \$1.0 million of the term note with the Lender. We agreed to treat 90% of the funds retained from the escrow release as a distribution from Nutra SA and reduce our ownership percentage accordingly. As a result, our ownership percentage in Nutra SA reduced .85% in March 2016 when we received the escrow funds.

There is an escrow liability related to the lawsuit in accrued expenses on our balance sheets as of December 31, 2015 and 2014, totaling \$1.9 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, 2015, \$0.3 million of pre-acquisition contingencies had either been paid or specifically identified and accrued, leaving a balance of \$1.7 million to settle any remaining contingencies. We believe as of March 24, 2016, now that the escrow funds have been released to us, that there are no significant remaining contingencies.

Irgovel - Events of Default

As further described in Note 5, Irgovel is required to meet minimum annual processing targets or to achieve EBITDA on a local currency base of at least R\$4.0 million annually. If not achieved, this would result in an event of default. It is possible that an event of default may be triggered and a waiver of non-compliance may not be obtained from the Investors. At December 31, 2015, Irgovel did not meet this covenant but Investors waived the requirement.

NOTE 15. RELATED PARTY TRANSACTIONS

Transactions with Baruch Halpern

Entities beneficially owned by Baruch Halpern, a director, invested \$2.6 million in our subordinated convertible notes and related warrants prior to 2014. In connection with the Note Amendment, in 2015, the notes, as previously modified, were amended to extend the maturity dates from July 2016 to May 2018 and change the interest rate from 5% per year to an annual interest rate of a rate determined as a function of LIBOR, consistent with other participating note holders. Entities beneficially owned by Mr. Halpern were also issued warrants to acquire 119,366 shares of common stock in the aggregate (exercise price of \$5.25, May 2020 expiration). We recognized a loss on extinguishment in 2015 related to the amendment of notes beneficially owned by Mr. Halpern. We recognized a loss on extinguishment in 2015 related to this transaction of \$0.7 million. We paid and expensed interest on subordinated notes beneficially owned by Mr. Halpern totaling \$0.2 million in 2015 and \$0.1 million in 2014.

Index

In a 2013 transaction, warrants beneficially owned by Mr. Halpern for the purchase of up to 231,397 shares of common stock were cancelled in exchange for 710,056 shares of our common stock. The shares were not required to be issued until after our shareholders approved an increase in our authorized shares of common stock, which occurred on May 30, 2014.

In January 2016, we entered into a note payable with Mr. Halpern in the principal amount of \$0.3 million and issued Mr. Halpern warrants to acquire 25,000 share of common stock (exercise price of \$5.25, January 2021 expiration). Principal and all interest, accumulating at an 11.75% annual rate, was payable October 31, 2016. We paid the note and accumulated interest in full in March 2016.

Transactions with W. John Short

W. John Short, our chief executive officer and director, invested in \$50 thousand of our subordinated notes and related warrants prior to 2014. In connection with the Note Amendment, in 2015, the notes, as previously modified, were amended to extend the maturity dates from July 2016 to May 2018 and change the interest rate from 5% per year to an annual interest rate of a rate determined as a function of LIBOR, consistent with other participating note holders. Mr. Short was also issued warrants to acquire 2,446 shares of common stock in the aggregate (exercise price of \$5.25, May 2020 expiration). In 2015 and 2014, we paid and expensed less than \$10 thousand of interest on subordinated notes beneficially owned by Mr. Short.

In a 2013 transaction, warrants beneficially owned by Mr. Short for the purchase of up to 3,806 shares of common stock were cancelled in exchange for 12,777 shares of our common stock. The shares were not required to be issued until after our shareholders approved an increase in our authorized shares of common stock, which occurred on May 30, 2014.

Transactions with Mark McKnight

In January 2014, we purchased all of the outstanding shares of HN for \$2.0 million in cash, plus convertible promissory notes for \$3.3 million. Mark McKnight, our current senior vice president of sales, and his wife collectively owned a majority interest in HN prior to the acquisition. In connection with our acquisition of HN, Mark McKnight received \$0.7 million in cash and a convertible promissory note for \$1.4 million and Nicole McKnight, his wife, received \$0.7 million in cash and a convertible promissory note for \$1.4 million. We had the option to pay principal and accrued interest under the notes in either cash or in our common stock, however, if we issued shares to certain former warrants holders upon an increase in authorized shares we were required to settle any outstanding balance on the notes through the issuance of shares of our common stock. On May 30, 2014, we issued 225,925 shares of common stock to settle Mark McKnight's note and 225,925 shares of common stock to settle Nicole McKnight's note. The notes were converted at a conversion price of \$6.00 per share.

In January 2014, we entered into a \$0.1 million, 5% unsecured, promissory note with Nicole McKnight. We paid all principal and interest due under the note in October 2014.

NOTE 16. SEGMENT INFORMATION

We have two reportable operating segments in all periods presented: (i) USA segment, which manufactures and distributes SRB 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. In addition 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 interests, are made to the operating segments.

58

---

Edgar Filing: RiceBran Technologies - Form 10-K

Index

The table below presents segment information for the years identified and provides a reconciliation of segment information to total consolidated information (in thousands).

|  | 2015        |          |            |              |              |
|--|-------------|----------|------------|--------------|--------------|
|  | Corporate   | USA      | Brazil     | Intersegment | Consolidated |
| Revenues   | \$-         | \$23,341 | \$16,601   | \$ (46 )     | \$ 39,896    |
| Cost of goods sold   | -           | 15,923   | 15,949     | (46 )        | 31,826       |
| Gross profit   | -           | 7,418    | 652        | -            | 8,070        |
| Depreciation and amortization (in selling, general and administrative) | (79 )       | (1,569 ) | (131 )     | -            | (1,779 )     |
| Other operating expenses   | (4,892 )    | (4,288 ) | (3,387 )   | -            | (12,567 )    |
| Income (loss) from operations  | \$(4,971 )  | \$1,561  | \$(2,866 ) | \$ -         | \$ (6,276 )  |
| Net income (loss) attributable to RiceBran Technologies shareholders   | \$(6,948 )  | \$1,561  | \$(2,881 ) | \$ -         | \$ (8,268 )  |
| Interest expense   | (1,404 )    | -        | (1,697 )   | -            | (3,101 )     |
| Depreciation (in cost of goods sold)                                   | -           | (890 )   | (1,394 )   | -            | (2,284 )     |
| Purchases of property  | 94          | 474      | 500        | -            | 1,068        |
| Property, net, end of period   | 418         | 8,408    | 9,502      | -            | 18,328       |
| Goodwill, end of period  | -           | 790      | 2,468      | -            | 3,258        |
| Intangible assets, net, end of period                                  | -           | 1,225    | -          | -            | 1,225        |
| Total assets, end of period  | 3,203       | 15,554   | 14,878     | -            | 33,635       |
|  | 2014        |          |            |              |              |
|  | Corporate   | USA      | Brazil     | Intersegment | Consolidated |
| Revenues   | \$-         | \$23,096 | \$17,012   | \$ -         | \$ 40,108    |
| Cost of goods sold   | -           | 16,124   | 19,515     | -            | 35,639       |
| Gross profit   | -           | 6,972    | (2,503 )   | -            | 4,469        |
| Depreciation and amortization (in selling, general and administrative) | (52 )       | (2,137 ) | (690 )     | -            | (2,879 )     |
| Other operating expenses   | (5,941 )    | (4,133 ) | (4,280 )   | -            | (14,354 )    |
| Income (loss) from operations  | \$(5,993 )  | \$702    | \$(7,473 ) | \$ -         | \$ (12,764 ) |
| Net income (loss) attributable to RiceBran Technologies shareholders   | \$(16,825 ) | \$702    | \$(6,906 ) | \$ -         | \$ (23,029 ) |
| Interest expense   | (7,949 )    | -        | (2,385 )   | -            | (10,334 )    |
| Depreciation (in cost of goods sold)                                   | -           | (1,022 ) | (2,648 )   | -            | (3,670 )     |
| Purchases of property  | 152         | 2,251    | 3,020      | -            | 5,423        |
| Property, net, end of period   | 135         | 9,360    | 15,258     | -            | 24,753       |
| Goodwill, end of period  | -           | 790      | 3,641      | -            | 4,431        |
| Intangible assets, net, end of period                                  | -           | 2,658    | 82         | -            | 2,740        |
| Total assets, end of period  | 4,041       | 17,854   | 24,018     | -            | 45,913       |

The following table presents revenues data by geographic area shipped to (in thousands):

|                     | 2015     | 2014     |
|---------------------|----------|----------|
| United States       | \$21,978 | \$21,381 |
| Brazil              | 9,548    | 14,257   |
| Other international | 8,370    | 4,470    |

Total revenues      \$39,896   \$40,108

IndexNOTE 17. FAIR VALUE MEASUREMENT

The fair value of cash and cash equivalents, accounts and other receivables and accounts payable approximates their carrying value due to their shorter maturities. As of December 31, 2015, the fair value of our Corporate segment debt (Level 3 measurement) is approximately \$0.1 million lower than the \$9.7 million carrying value of that debt, based on current market rates for similar debt with similar maturities. The fair value of our Brazil segment debt (Level 3 measurement) approximates the \$6.3 million carrying value of that debt based on the current market rates for similar debt with similar maturities.

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain assets and liabilities are presented in the financial statements at fair value. Assets and liabilities measured at fair value on a recurring basis include derivative warrant and conversion liabilities. Assets and liabilities measured at fair value on a non-recurring basis may include property.

We assess the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 – inputs include quoted prices for identical instruments and are the most observable.

Level 2 – inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates and yield curves.

Level 3 – inputs are not observable in the market and include management’s judgments about the assumptions market participants would use in pricing the asset or liability.

For instruments measured using Level 3 inputs, a reconciliation of the beginning and ending balances is disclosed.

The following tables summarize the fair values by input hierarchy of items measured at fair value on a recurring basis on our consolidated balance sheets (in thousands):

|   | Level 1 | Level 2 | Level 3   | Total   |
|---|---------|---------|-----------|---------|
| Total liabilities at fair value, as of December 31, 2015 - derivative warrant liabilities | \$ -    | \$ -    | \$ (678 ) | \$(678) |
| Total liabilities at fair value, as of December 31, 2014 - derivative warrant liabilities | \$ -    | \$ -    | \$ (955 ) | \$(955) |

Warrants accounted for as derivative liabilities are valued using the lattice model each reporting period and the resultant 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. The risk-free interest rate is determined by reference to the treasury yield curve rate of instruments with the same term as the warrant. Additional assumptions that were used to calculate fair value follow.

|                         | December 31, 2015                      | December 31, 2014                      |
|-------------------------|--|--|
| Risk-free interest rate | 0.9% - 1.2%<br>(1.1% weighted average) | 0.1% - 1.0%<br>(0.7% weighted average) |
| Expected volatility     | 71% - 89%<br>(78% weighted average)    | 95%                                    |

Index

The following tables summarize the changes in level 3 items measured at fair value on a recurring basis (in thousands):

|                                 | Fair Value<br>as of<br>Beginning<br>of Period | Total<br>Realized<br>and<br>Unrealized<br>Gains<br>(Losses)<br>(1 ) | Issuance of<br>New<br>Instruments | Net<br>Transfers<br>(Into) Out of<br>Level 3 | Fair Value,<br>at End of<br>Period | Change in<br>Unrealized<br>Gains<br>(Losses) on<br>Instruments<br>Still Held |
|---------------------------------|---|---|-----------------------------------|--|------------------------------------|--|
| <u>2015</u>                     |   |   |                                   |  |                                    |  |
| Derivative warrant liability    | \$ (955 )                                     | \$ 1,001  | \$ (724 )                         | \$ -   | \$ (678 )                          | \$ -   |
| Derivative conversion liability | -   | -   | -                                 | -  | -                                  | -  |
| Total Level 3 fair value        | \$ (955 )                                     | \$ 1,001  | \$ (724 )                         | \$ -   | \$ (678 )                          | \$ -   |
| <u>2014</u>                     |   |   |                                   |  |                                    |  |
| Derivative warrant liability    | \$ (1,685 )                                   | \$ (1,151 )   | \$ (7,021 )                       | \$ 8,902                                     | (2) \$ (955 )                      | \$ 546   |
| Derivative conversion liability | -   | (58 )   | (589 )                            | 647  | (3) -                              | NA   |
| Total Level 3 fair value        | \$ (1,685 )                                   | \$ (1,209 )   | \$ (7,610 )                       | \$ 9,549                                     | \$ (955 )                          | \$ 546   |

(1) Included in change in fair value of derivative warrant and conversion liabilities in our consolidated statements of operations.

(2) Represents transfers to equity as a result of increases in authorized and unissued shares of common stock available for settlement of certain warrants.

(3) Represents reduction in conversion liability as a result of debt conversions.

Index

PART II

(continued)

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as such term is defined in Rule 13a and Rule 15d-15(e)) under the Securities Exchange Act of 1934 (Exchange Act) was performed as of December 31, 2015, under the supervision and with the participation of our current management, including our current Chief Executive Officer and Chief Financial Officer. Our disclosure controls and procedures have been designed to ensure that information we are required to disclose in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2015.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act and for the assessment of the effectiveness of internal control over financial reporting. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company’s internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
  - provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial
- (ii) statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) provide reasonable assurance regarding prevention, or timely detection, of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may

deteriorate.

Under the supervision and with the participation of current management, including our current Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth in the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) entitled "Internal Control - Integrated Framework (the 2013 Framework)."

Our management concluded that as of December 31, 2015, we maintained effective internal control over financial reporting based on the criteria established in the Internal Control – Integrated Framework (the 2013 Framework), issued by COSO.

62

---

Index

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 of Part III is incorporated by reference to our definitive proxy statement, to be filed within 120 days of our fiscal year end, or will be included in an amendment to this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Part III is incorporated by reference to our definitive proxy statement, to be filed within 120 days of our fiscal year end, or will be included in an amendment to this Form 10-K.

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

The information required by Item 12 of Part III is incorporated by reference to our definitive proxy statement, to be filed within 120 days of our fiscal year end, or will be included in an amendment to this Form 10-K.

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

The information required by Item 13 of Part III is incorporated by reference to our definitive proxy statement, to be filed within 120 days of our fiscal year end, or will be included in an amendment to this Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 of Part III is incorporated by reference to our definitive proxy statement, to be filed within 120 days of our fiscal year end, or will be included in an amendment to this Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

See Exhibit Index attached hereto.

The Financial Statements are included under Item 8.



Index

EXHIBIT INDEX

| Exhibit Number | Exhibit Description  |
|----------------|--|
| 1.01           | Warrant Agreement dated December 18, 2013, with American Stock Transfer & Trust Company. (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed December 18, 2013)   |
| 2.01           | Quotas Purchase and Sale Agreement, dated January 31, 2008, with Quota Holders of Irgovel - Industria Riograndens De Oleos Vegetais Ltda (incorporated herein by reference to exhibits previously filed on registrant's quarterly report on Form 10-Q, filed on August 11, 2008 and on registrant's annual report on Form 10-K, filed on March 17, 2008) |
| 3.01.1         | Restated and Amended Articles of Incorporation as filed with the Secretary of State of California on December 13, 2001 (incorporated herein by reference to exhibits previously filed on registrant's annual report on Form 10-KSB, filed on April 16, 2002)   |
| 3.01.2         | Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on August 4, 2003 (incorporated herein by reference to exhibits previously filed on registrant's Registration Statement on Form SB-2, filed on November 18, 2005)   |
| 3.01.3         | Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on October 31, 2003 (incorporated herein by reference to exhibits previously filed on registrant's quarterly report on Form 10-QSB, filed on November 19, 2003)   |
| 3.01.4         | Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on September 29, 2005 (incorporated herein by reference to exhibits previously filed on registrant's Registration Statement on Form SB-2, filed on November 18, 2005)   |
| 3.01.5         | Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on August 20, 2007 (incorporated herein by reference to exhibits previously filed on registrant's quarterly report on Form 10-Q, filed on August 14, 2007)  |
| 3.01.6         | Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on June 30, 2011 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on July 5, 2011)  |
| 3.01.7         | Certificate of Amendment of Articles of Incorporation filed with the Secretary of State of California on July 12, 2013 (incorporated herein by reference to exhibits previously filed on registrant's quarterly report on Form 10-Q, filed August 14, 2013)  |
| 3.01.8         | Certificate of Amendment of Articles of Incorporation filed with the Secretary of State of California on May 30, 2014 (incorporated herein by reference to exhibits previously filed on registrant's registration statement on Form S-3 filed June 5, 2014)  |
| 3.02           | Certificate of Designation of the Rights, Preferences, and Privileges of the Series A Preferred Stock as filed with the Secretary of State of California on December 13, 2001 (incorporated herein by reference to exhibits previously filed on registrant's Registration Statement on Form SB-2, filed on June 4, 2002)                                 |
| 3.03           | Certificate of Determination, Preferences and Rights of Series B Convertible Preferred Stock as filed with the Secretary of State of California on October 4, 2005 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on October 4, 2005)  |
| 3.04           | Certificate of Determination, Preferences and Rights of Series C Convertible Preferred Stock as filed with the Secretary of State of California on May 10, 2006 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on May 15, 2006)  |
| 3.05           | Certificate of Determination, Preferences and Rights of the Series D Convertible Preferred Stock, as filed with the Secretary of State of California on October 17, 2008 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on October 20, 2008)   |

Edgar Filing: RiceBran Technologies - Form 10-K

- 3.06 Certificate of Determination, Preferences and Rights of the Series E Convertible Preferred Stock, as filed with the Secretary of State of California on May 7, 2009 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on May 8, 2009)
- 3.07 Certificate of Determination, Preferences and Rights of the Series F Convertible Preferred Stock, as filed with the Secretary of State of California on February 18, 2016 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on February 23, 2016)
- 3.08.1 Bylaws (incorporated herein by reference to exhibits previously filed on registrant's Registration Statement on Form SB-2, filed on June 12, 2006)
- 3.08.2 Amendment of Bylaws effective June 19, 2007 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on June 25, 2007)

64

---

Index

- 3.08.3 Amendment of Bylaws effective December 4, 2009 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on December 10, 2009)
- 3.09 Certificate of Ownership dated October 3, 2012 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on October 10, 2012)
- 4.01 Common Stock Warrant issued to Hillair Capital Investments L.P. (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on January 23, 2012)
- 4.02 Form of warrant to purchase shares issued to holders of secured convertible promissory notes (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on January 23, 2012)
- 4.03 Common Stock Warrant issued to Hillair Capital Investments L.P. (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on August 6, 2012)
- 4.04 Warrant Agreement by and between RiceBran Technologies and American Stock Transfer & Trust Company and Form of Warrant Certificate (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on December 18, 2013)
- 4.05 Form of Convertible Promissory Note dated March 20, 2014 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on March 21, 2014)
- 4.06 Form of Warrant (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on March 21, 2014)
- 4.07 Form of Warrant (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on June 20, 2014)
- 4.08 Form of Warrant (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on September 30, 2014)
- 4.09 Form of Warrant (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on February 17, 2016)
- 10.01 \* Employment Agreement with W. John Short (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on July 10, 2009)
- 10.02 \* First Amendment of Employment Agreement with W. John Short (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on July 10, 2009)
- 10.03 \* Second Amendment of Employment Agreement with W. John Short (incorporated herein by reference to exhibits previously filed on Form 10-Q, filed on May 11, 2011)
- 10.04 \* Third Amendment to Employment Agreement with W. John Short dated July 2, 2010 (incorporated herein by reference to exhibit 10.1 previously filed on registrant's current report on Form 8-K, filed on July 8, 2010)
- 10.05 \* Fourth Amendment to Employment Agreement with W. John Short dated July 15, 2011 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on July 20, 2011)
- 10.06 \* Employment Agreement with Jerry Dale Belt dated June 8, 2010 (incorporated herein by reference to exhibit 10.1 previously filed on registrant's current report on Form 8-K, filed on June 8, 2010)
- 10.07 \* First Amendment to Employment Agreement with Jerry Dale Belt dated July 15, 2011 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on July 20, 2011)
- 10.08 \* Second Amendment to Employment Agreement with Jerry Dale Belt dated February 14, 2012 (incorporated herein by reference to exhibits previously filed on registrant's annual report on Form 10-K, filed on March 30, 2012)
- 10.09 \* Third Amendment to Employment Agreement with Jerry Dale Belt dated May 30, 2014 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on June 3, 2014)
- 10.10 \* Fourth Amendment to Employment Agreement with Jerry Dale Belt dated as of May 30, 2015 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on June 5, 2015)
- 10.11 Employment Agreement with Mark S. McKnight dated September 20, 2013 (incorporated herein by reference to exhibits previously filed on Amendment No. 1 to registrant's annual report on Form 10-K, filed on April 30, 2014)
- 10.12

Edgar Filing: RiceBran Technologies - Form 10-K

Amendment to Employment Agreement and Non-Competition Agreement for Mark S. McKnight dated December 30, 2013 (incorporated herein by reference to exhibits previously filed on Amendment No. 1 to registrant's annual report on Form 10-K, filed on April 30, 2014)

10.13 \* 2005 Equity Incentive Plan (incorporated herein by reference to exhibits previously filed on Form SB-2, filed on November 18, 2005)

10.14 \* Form of Non-Employee Director Stock Option Agreement under the 2005 Equity Incentive Plan (incorporated herein by reference to exhibits previously filed on registrant's annual report on Form 10-K, filed on March 17, 2008)

65

---

## Edgar Filing: RiceBran Technologies - Form 10-K

### Index

- 10.15\* Form of Stock Option Agreement for 2005 Equity Incentive Plan (incorporated herein by reference to exhibits previously filed on registrant's quarterly report on Form 10-Q, filed on May 12, 2008)
- 10.16\* Form of Restricted Stock Grant Agreement for 2005 Equity Incentive Plan (incorporated herein by reference to exhibits previously filed on registrant's quarterly report on Form 10-Q, filed on August 11, 2008)
- 10.17 2010 Equity Incentive Plan (incorporated herein by reference to previously filed Form 10-Q, filed on May 11, 2011)
- 10.18 Second Amendment of Investment Agreements for Nutra SA, LLC dated December 9, 2014 (incorporated herein by reference to exhibits previously filed on registrant's annual report on Form 10-K, filed on March 31, 2015)
- 10.19 Second Amendment of Investment Agreements for Nutra SA, LLC dated as of August 11, 2015 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on August 13, 2015)
- 10.20\* Form of Non-Employee Director Stock Option Agreement under the 2010 Equity Incentive Plan (incorporated herein by reference to exhibits previously filed on registrant's annual report on Form 10-K, filed on March 30, 2012)
- 10.21 Form of Stock Option Agreement for the 2010 Equity Incentive Plan (incorporated herein by reference to exhibits previously filed on registrant's annual report on Form 10-K, filed on March 30, 2012)
- 10.22\* Form of Restricted Stock Grant Agreement for the 2010 Equity Incentive Plan (incorporated herein by reference to exhibits previously filed on registrant's annual report on Form 10-K, filed on March 30, 2012)
- 10.23\* RiceBran Technologies 2014 Equity Incentive Plan (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on August 25, 2014)
- 10.24\* Form of Stock Option Agreement for 2014 Equity Incentive Plan (incorporated herein by reference to exhibits previously filed on registrant's annual report on Form 10-K, filed on March 31, 2015)
- 10.25\* Form of Restricted Stock Award Agreement for 2014 Equity Incentive Plan (incorporated herein by reference to exhibits previously filed on registrant's annual report on Form 10-K, filed on March 31, 2015)
- 10.26\* Form of Indemnification Agreement for officers and directors (incorporated by reference to previously filed Form 10-Q, filed on May 11, 2011)
- 10.27+ Nutra SA, LLC Membership Interest Purchase Agreement dated December 29, 2010 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K/A, filed on August 10, 2011)
- 10.28 Membership Interest Purchase Agreement dated April 2, 2013 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on April 5, 2013)
- 10.29 Form of Investor Rights Agreement (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on January 5, 2011)
- 10.30 License Agreement dated March 14, 2013 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on March 20, 2013)
- 10.31 Second Amended and Restated Limited Liability Agreement for Nutra SA, LL,C dated December 24, 2012 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on December 31, 2012)
- 10.32 Contribution and Subscription Agreement, dated December 24, 2012, regarding Nutra SA, LLC (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on December 31, 2012)
- 10.33 Amendment of Investment Agreements effective, dated October 31, 2013 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on November 8, 2013)
- 10.34 Second Amendment of Investment Agreements, dated as of August 11, 2015, (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on August 13, 2015)
- 10.35 Loan agreement between Industria Riograndens De Oleos Vegetais Ltd. and Banco do Brasil S.A. in the amount of R\$2,784,838 with a Brazilian bank dated December 15, 2011, English translation from the original Portuguese (incorporated herein by reference to exhibits previously filed on registrant's annual report on Form 10-K, filed on March 30, 2012)
- 10.36

Edgar Filing: RiceBran Technologies - Form 10-K

Loan agreement between Industria Riograndens De Oleos Vegetais Ltd. and Banco do Brasil S.A. in the amount of R\$6,676,012 dated December 15, 2011, English translation from the original Portuguese (incorporated herein by reference to exhibits previously filed on registrant's Annual Report on Form 10-K, filed on March 30, 2012)

- 10.37 Sublicense Agreement with RBT PRO LLC and Wilmar (Shanghai) Biotechnology Research Development Center Co., Ltd. dated April 2, 2013 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on April 5, 2013)
- 10.38 Sublicense Agreement with RBT PRO LLC dated April 2, 2013 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on April 5, 2013)

Index

- Cross License Agreement with Wilmar (Shanghai) Biotechnology Research Development Center Co., Ltd.  
 10.39 dated April 2, 2013 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on April 5, 2013)  
 Amended and Restated Limited Liability Company Agreement for RBT PRO LLC, dated April 2, 2013  
 10.40 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on April 5, 2013)  
 Senior Secured Revolving Credit Facility Agreement with TCA Global Credit Master Fund, LP, dated as of  
 10.41 April 30, 2013 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on May 30, 2013)  
 Promissory Note issued to TCA Global Credit Master Fund, LP, dated as of April 30, 2013 (incorporated herein  
 10.42 by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on May 30, 2013)  
 Form of Guaranty Agreement by Subsidiary Guarantors in favor of TCA Global Credit Master Fund, LP, dated  
 10.43 as of April 30, 2013 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on May 30, 2013)  
 Security Agreement with TCA Global Credit Master Fund, LP, dated as of April 30, 2013 (incorporated herein  
 10.44 by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on May 30, 2013)  
 Form of Security Agreement, dated as of April 30, 2013, by Subsidiary Guarantors and TCA Global Credit  
 10.45 Master Fund, LP (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on May 30, 2013)  
 Form of Pledge with TCA Global Credit Master Fund, LP, dated as of April 30, 2013 (incorporated herein by  
 10.46 reference to exhibits previously filed on registrant's current report on Form 8-K, filed on May 30, 2013)  
 Amended and Restated Security Agreement, dated as of May 24, 2013 (incorporated herein by reference to  
 10.47 exhibits previously filed on registrant's quarterly report on Form 10-Q, filed August 14, 2013)  
 Amended and Restated Note and Warrant Purchase Agreement, dated as of May 24, 2013 (incorporated herein  
 10.48 by reference to exhibits previously filed on registrant's quarterly report on Form 10-Q, filed August 14, 2013)  
 Restated Subordination Agreement, dated as of May 24, 2013 (incorporated herein by reference to exhibits  
 10.49 previously filed on registrant's quarterly report on Form 10-Q, filed August 14, 2013)  
 Subordination Agreement, dated as of May 12, 2015 (incorporated herein by reference to exhibits previously  
 10.50 filed on registrant's current report on Form 8-K, filed on May 15, 2015)  
 Amendment to Loan Documents, dated as of May 12, 2015 (incorporated herein by reference to exhibits  
 10.51 previously filed on registrant's current report on Form 8-K, filed on May 15, 2015)  
 Third Amended and Restated Security Agreement, dated as of May 12, 201, (incorporated herein by reference  
 10.52 to exhibits previously filed on registrant's current report on Form 8-K, filed on May 15, 2015)  
 Amendment 1 to Senior Secured Revolving Credit Facility Agreement with TCA Global Credit Master Fund,  
 10.53 LP, dated July 18, 2013 (incorporated herein by reference to exhibits previously filed on registrant's quarterly report on Form 10-Q, filed August 14, 2013)  
 Promissory Note issued to TCA Global Credit Master Fund, LP, dated July 18, 2013(incorporated herein by  
 10.54 reference to exhibits previously filed on registrant's quarterly report on Form 10-Q, filed August 14, 2013)  
 Acquisition and Stock Purchase Agreement with the Shareholders of H&N Distribution, Inc., dated September  
 10.55 24, 2013 (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on September 26, 2013)  
 Promissory Note issued to TCA Global Credit Master Fund, LP dated October 11, 2013 (incorporated herein by  
 10.56 reference to exhibits previously filed on registrant's quarterly report on Form 10-Q, filed November 12, 2013)  
 Underwriting Agreement dated December 12, 2013, with Maxim Group, LLC, as representative of the several  
 10.57 underwriters (incorporated herein by reference to exhibits previously filed on registrant's current report on Form 8-K, filed on December 18, 2013)  
 Note and Warrant Purchase Agreement dated March 20, 2014 (incorporated herein by reference to exhibits  
 10.58 previously filed on registrant's current report on Form 8-K, filed on March 21, 2014)  
 Registration Rights Agreement dated March 20, 2014 (incorporated herein by reference to exhibits previously  
 10.59 filed on registrant's current report on Form 8-K, filed on March 21, 2014)

- 10.60 Securities Purchase Agreement (incorporated herein by reference to exhibits previously filed on registrant's current report on 8-K, filed on October 1, 2014)
- 10.61 Form of Registration Rights Agreement (incorporated herein by reference to exhibits previously filed on registrant's current report on 8-K, filed on October 1, 2014)



Index

|              |  |
|--------------|--|
| 10.62        | Loan, Guarantor and Security Agreement with Full Circle Capital Corporation, dated as of May 12, 2015 (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on May 15, 2015)                |
| 10.63        | Term Loan Note, dated as of May 12, 2015, issued to Full Circle Capital Corporation (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on May 15, 2015)                                  |
| 10.64        | Revolving Loan Note, dated as of May 12, 2015, issued to Full Circle Capital Corporation (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on May 15, 2015)                             |
| 10.65        | Intellectual Property Security Agreement, dated as of May 12, 2015 (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on May 15, 2015)   |
| 10.66        | Pledge Agreement dated as of May 12, 2015, with Full Circle Capital Corporation (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on May 15, 2015)                                      |
| 10.67        | Lender Warrant dated as of May 12, 2015 (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on May 15, 2015)  |
| 10.68        | Exclusive Supply and Cooperation Agreement ,dated February 8, 2016, with Arvind Narula and Youji Company Limited (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on February 9, 2016) |
| 10.69        | Limited Liability Company Agreement of RBT – Youji, LLC, dated February 8, 2016 (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on February 9, 2016)                                  |
| 10.70        | Voting Agreement and Irrevocable Proxy, dated February 8, 2016, with Arvind Narula and Youji Company Limited (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on February 9, 2016)     |
| 10.71        | Form of Securities Purchase Agreement, dated February 17, 2016 (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on February 17, 2016)  |
| 10.72        | Registration Rights Agreement, dated February 17, 2016 (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on February 17, 2016)  |
| 10.73        | Placement Agency Agreement, dated February 17, 2016 (incorporated herein by reference to exhibits previously filed on registrant’s current report on Form 8-K, filed on February 17, 2016)   |
| <u>10.74</u> | Amendment to Loan, Guarantee and Security Agreement dated with Full Circle Capital Corporation, dated February 12, 2016 (filed herewith)   |
| <u>21.01</u> | List of subsidiaries.  |
| <u>23.1</u>  | Consent of Independent Registered Public Accounting Firm.  |
| <u>31.1</u>  | Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| <u>31.2</u>  | Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| <u>32.1</u>  | Certification by CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| 101.INS      | @ XBRL Instance Document   |
| 101.SCH      | @ XBRL Taxonomy Extension Schema Document  |
| 101.CAL      | @ XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF      | @ XBRL Taxonomy Extension Calculation Definition Linkbase Document   |
| 101.LAB      | @ XBRL Taxonomy Extension Calculation Label Linkbase Document  |
| 101.PRE      | @ XBRL Taxonomy Extension Calculation Presentation Linkbase Document   |

+Confidential treatment granted as to certain portions

\* Indicates a management contract or compensatory plan, contract or arrangement in which any Director or any Executive Officer participates.

XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.



Index

SIGNATURES

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

RICEBRAN TECHNOLOGIES

Date: March 30, 2016 By: /s/ W. John Short  
 W. John Short  
 Director and Chief Executive Officer

Power of Attorney

Each person whose signature appears below constitutes and appoints W. John Short, true and lawful attorney-in-fact, with the power of substitution, for him/her in any and all capacities, to sign amendments to this Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

| Signature   | Title                                 | Date           |
|---|---------------------------------------|----------------|
| Principal Executive Officer:                                    |                                       |                |
| /s/ W. John Short<br>W. John Short                              | Director and Chief Executive Officer  | March 30, 2016 |
| Principal Financial Officer and<br>Principal Accounting Officer |                                       |                |
| /s/ J. Dale Belt<br>Jerry Dale Belt                             | Chief Financial Officer and Secretary | March 30, 2016 |
| Additional Directors:   |                                       |                |
| /s/ Marco V. Galante<br>Marco V. Galante                        | Director                              | March 30, 2016 |
| /s/ David Goldman<br>David Goldman                              | Director                              | March 30, 2016 |
| /s/ Baruch Halpern<br>Baruch Halpern                            | Director                              | March 30, 2016 |
| /s/ Henk W. Hoogenkamp<br>Henk W. Hoogenkamp                    | Director                              | March 30, 2016 |
| /s/ Robert C. Schweitzer  | Director and Chairman                 | March 30, 2016 |

Robert C. Schweitzer

/s/ Peter A. Woog  
Peter A. Woog

Director

March 30, 2016

69

---