

RiceBran Technologies  
Form 10-Q  
May 13, 2015

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

(Mark one)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-32565

RiceBran Technologies  
(Exact Name of Registrant as Specified in its Charter)

California 87-0673375  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

6720 North Scottsdale Road, Suite 390 85253  
Scottsdale, AZ (Zip Code)  
(Address of Principal Executive Offices)

Issuer's telephone number, including area code: (602) 522-3000

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

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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 May 13, 2015, shares of the registrant's common stock outstanding totaled 9,386,822.

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#### Cautionary Note about Forward-Looking Statements

This quarterly report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue, liquidity or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services, products or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words “may,” “could,” “will,” “estimate,” “intend,” “contingent,” “believe,” “expect” or “anticipate” or other similar words. The forward-looking statements contained herein reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Actual results may differ materially from those projected in such forward-looking statements due to a number of factors, risks and uncertainties, including the factors that may affect future results set forth in this Current Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2014. We disclaim any obligation to update any forward looking statements as a result of developments occurring after the date of this quarterly report.

#### PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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RiceBran Technologies  
 Condensed Consolidated Statements of Operations  
 Three Months Ended March 31, 2015 and 2014  
 (Unaudited) (in thousands, except share and per share amounts)

	2015	2014
Revenues	\$9,659	\$7,684
Cost of goods sold	8,605	6,270
Gross profit	1,054	1,414
Operating expenses:		
Selling, general and administrative	3,487	3,315
Depreciation and amortization	505	818
Total operating expenses	3,992	4,133
Loss from operations	(2,938 )	(2,719 )
Other income (expense):		
Interest income	49	15
Interest expense	(799 )	(1,188 )
Change in fair value of derivative warrant and conversion liabilities	173	2,058
Foreign currency exchange, net	(219 )	75
Financing expense	-	(1,122 )
Other income	157	46
Other expense	(75 )	(198 )
Total other income (expense)	(714 )	(314 )
Loss before income taxes	(3,652 )	(3,033 )
Income tax benefit	6	248
Net loss	(3,646 )	(2,785 )
Net loss attributable to noncontrolling interest in Nutra SA	644	920
Net loss attributable to RiceBran Technologies shareholders	\$(3,002 )	\$(1,865 )
Loss per share attributable to RiceBran Technologies shareholders		
Basic	\$(0.33 )	\$(0.62 )
Diluted	\$(0.33 )	\$(0.62 )
Weighted average number of shares outstanding		
Basic	9,154,134	3,017,408
Diluted	9,154,134	3,017,408

See Notes to Unaudited Condensed Consolidated Financial Statements

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RiceBran Technologies  
 Condensed Consolidated Statements of Comprehensive Loss  
 Three Months Ended March 31, 2015 and 2014  
 (Unaudited) (in thousands)

	2015	2014
Net loss	\$(3,646)	\$(2,785)
Other comprehensive loss - foreign currency translation, net of tax	(1,417)	372
Comprehensive loss, net of tax	(5,063)	(2,413)
Comprehensive loss attributable to noncontrolling interest, net of tax	1,125	752
Total comprehensive loss attributable to RiceBran Technologies shareholders	\$(3,938)	\$(1,661)

See Notes to Unaudited Condensed Consolidated Financial Statements

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RiceBran Technologies  
Condensed Consolidated Balance Sheets  
March 31, 2015 (Unaudited) and December 31, 2014  
(in thousands, except share amounts)

	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$1,249	\$3,610
Restricted cash	1,920	1,920
Accounts receivable, net of allowance for doubtful accounts of \$512 and \$574 (variable interest entity restricted \$1,727 and \$1,980)	2,703	3,055
Inventories	4,270	3,508
Income and operating taxes recoverable	745	737
Deferred tax asset	171	171
Deposits and other current assets	909	1,071
Total current assets	11,967	14,072
Property, net (variable interest entity restricted \$2,945 and \$3,727)	21,436	24,753
Goodwill	3,796	4,431
Intangible assets, net	2,298	2,740
Other long-term assets	158	88
Total assets	\$39,655	\$46,084
<b>LIABILITIES, TEMPORARY EQUITY AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$3,300	\$3,286
Accrued salary, wages and benefits	2,258	2,206
Accrued expenses	4,652	4,257
Other liabilities	716	573
Current maturities of debt (variable interest entity nonrecourse \$3,877 and \$4,758)	3,931	4,808
Total current liabilities	14,857	15,130
Long-term debt, less current portion (variable interest entity nonrecourse \$5,022 and \$6,203)	10,297	11,288
Deferred tax liability	391	396
Derivative warrant liabilities	782	955
Total liabilities	26,327	27,769
Commitments and contingencies		
Temporary Equity - Redeemable noncontrolling interest in Nutra SA	1,376	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, 9,386,822 and 9,383,571 shares issued and outstanding	261,518	261,299
Accumulated deficit	(245,472)	(242,470)
Accumulated other comprehensive loss	(4,094 )	(3,157 )

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Total equity attributable to RiceBran Technologies shareholders	11,952	15,672
Total liabilities, temporary equity and equity	\$39,655	\$46,084

See Notes to Unaudited Condensed Consolidated Financial Statements

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RiceBran Technologies  
 Condensed Consolidated Statements of Cash Flows  
 Three Months Ended March 31, 2015 and 2014  
 (Unaudited) (in thousands)

	2015		2014
Cash flow from operating activities:			
Net loss	\$ (3,646	)	\$ (2,785 )
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,162		1,495
Stock and share-based compensation	219		78
Change in fair value of derivative warrant and conversion liabilities	(173	)	(2,058 )
Financing expense	-		1,122
Deferred tax benefit	(6	)	(248 )
Interest accreted	208		271
Other	59		54
Changes in operating assets and liabilities:			
Accounts receivable	(31	)	678
Inventories	(871	)	(551 )
Accounts payable and accrued expenses	1,294		533
Other	(180	)	(138 )
Net cash used in operating activities	(1,965	)	(1,549 )
Cash flows from investing activities:			
Acquisition of HN, net of cash acquired	-		(725 )
Purchases of property	(307	)	(2,203 )
Proceeds from sale of property	-		20
Net cash used in investing activities	(307	)	(2,908 )
Cash flows from financing activities:			
Payments of debt	(3,886	)	(4,782 )
	3,721		4,258



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Proceeds from issuance of debt, net of issuance costs				
Redemption of stock	-		(450	)
Proceeds from issuance of convertible debt and related warrants, net of costs	-		4,303	
Proceeds from issuance of common stock and warrants, net of costs	-		764	
Net cash provided by (used in) financing activities	(165	)	4,093	
Effect of exchange rate changes on cash and cash equivalents	76		71	
Net change in cash and cash equivalents	(2,361	)	(293	)
Cash and cash equivalents, beginning of period	3,610		5,091	
Cash and cash equivalents, end of period	\$	1,249	\$	4,798
Supplemental disclosures:				
Cash paid for interest	\$	441	\$	580
Cash paid for income taxes	-		-	

See Notes to Unaudited Condensed Consolidated Financial Statements

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Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1. BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of RiceBran Technologies and subsidiaries were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC) for reporting on Form 10-Q; therefore, as permitted under these rules, certain footnotes and other financial information included in audited financial statements were condensed or omitted. The interim financial statements contain all adjustments necessary to present fairly the interim results of operations, financial position and cash flows for the periods presented.

These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2014. The report of our independent registered public accounting firm that accompanies the audited consolidated financial statements for the year ended December 31, 2014, included in that Annual Report on Form 10-K, contains a going concern explanatory paragraph in which our independent registered public accounting firm expressed substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

The interim results reported in these condensed consolidated financial statements are not necessarily indicative of the results to be expected for the full fiscal year, or any other future period, and have been prepared assuming we will continue as a going concern based on the realization of assets and the satisfaction of liabilities in the normal course of business.

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

Recent Accounting Pronouncements

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

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

have on our results of operations and financial position and have not yet determined if we will early adopt the standard.

In April 2015, the FASB issued guidance on the presentation and disclosure of debt issuance costs. The update 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. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption permitted for financial statements that have not been previously issued. The adoption of this statement will impact future presentation and disclosures of the financial statements.

#### NOTE 2. 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 (RRB), 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 RRB 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 SRB), RiFiber (a fiber rich derivative of SRB), 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.

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Notes to Unaudited Condensed Consolidated Financial Statements

We have two reportable operating segments: (i) USA segment, which manufactures and distributes SRB in various granulations along with Stage II products (described below) and derivatives and formulates and co-packages products and (ii) Brazil segment, which extracts crude RBO and DRB from rice bran, which are then further processed into fully refined rice bran oil for sale internationally and in Brazil, compounded animal nutrition products and a number of valuable human food and animal nutrition products derivatives and co-products. 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 interest, are made to the operating segments.

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

The USA segment produces SRB inside two supplier rice mills in California and one owned facility in 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 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 SRB), and ProRyza, a family of protein 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 January 2014, we completed the acquisition of H&N Distribution Inc., now operating as Healthy Natural, Inc. (HN), which has been integrated into our USA segment. HN is a formulator and co-packer of products targeted at customers in the direct marketing, internet sales and retail distribution markets, and operates a facility in Irving, Texas. 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. Certain manufacturing facilities included in our USA segment have proprietary processing equipment and patented technology for the stabilization and further processing of rice bran into finished products. In the three months ended March 31, 2015, approximately 81% 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 recently started production of rice lecithin, which has application in human nutrition, animal nutrition and industrial applications. DRB is compounded with a number of other ingredients to produce complex animal nutrition products which are packaged and sold under Irgovel brands in the Brazilian market, sold as a raw material for further processing into human food ingredients or sold in bulk into the animal nutrition markets in Brazil and neighboring countries. In 2014, approximately 39% of Brazil segment product revenue was from sales of RBO products and the remainder was from sales of DRB products. In the three months ended March 31, 2015, approximately 47% of Brazil segment product revenue was from sales of RBO products and the remainder was from sales of DRB products.

NOTE 3. LIQUIDITY AND MANAGEMENT'S PLAN

In 2014 and the first three months of 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.

As described further in Note 5, in January 2014, we completed the acquisition of HN, the operations of which are accretive to cash flows. Our Brazilian subsidiary, Industria Riograndens De Oleos Vegetais Ltda. (Irgovel), recently completed the final stages of a major capital expansion. Significant cash was used during the shutdown period. Operations at Irgovel are expected to improve during the second quarter of 2015, such that Irgovel should be operating at its targeted capacity. However, there are no assurances that this will occur.

On May 12, 2015, we entered into an \$8 million senior secured credit facility agreement consisting of a \$3.5 million maximum working capital revolver and two term loan tranches.

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Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 4. LOSS PER SHARE (EPS)

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

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

Below are reconciliations of the numerators and denominators in the EPS computations for the three months ended March 31, 2015 and 2014.

	2015	2014
NUMERATOR (in thousands):		
Basic and diluted - net loss attributable to RiceBran Technologies shareholders	\$(3,002 )	\$(1,865 )
DENOMINATOR:		
Basic EPS - weighted average number of shares outstanding	9,154,134	3,017,408
Effect of dilutive securities outstanding	-	-
Diluted EPS - weighted average number of shares outstanding	9,154,134	3,017,408
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 \$11.48 and \$24.52)	264,305	174,141
Warrants (average exercise price of \$5.77 and \$6.27)	6,503,959	2,750,335
Nonvested stock	224,967	-

The impact of potentially dilutive securities outstanding at March 31, 2015 and 2014, was not included in the calculation of diluted EPS for the three months ended March 31, 2015 and 2014 because to do so would be antidilutive. Those securities listed in the table above which were antidilutive for the periods presented, which remain outstanding, could potentially dilute EPS in the future.

NOTE 5. 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.

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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 consolidated statements of operations. The following table summarizes the aggregate purchase price allocation, the consideration transferred to acquire HN, as well as the amounts of identified assets acquired and liabilities assumed based on the estimated fair value as of the January 2, 2014, acquisition date (in thousands).

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## RiceBran Technologies

## Notes to Unaudited Condensed Consolidated Financial Statements

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

The terms of the convertible notes payable are further discussed in Note 10. The fair value of trade receivables at January 2, 2014, was \$0.1 million which equaled the gross amount receivable. We have 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 the three months ended March 31, 2015, we recognized \$0.3 million of amortization expense in the USA segment related to this intangible.

Our consolidated revenues include \$2.5 million of HN revenues for the three months ended March 31, 2014. After making a reasonable effort, we have been unable to determine net income (loss) attributable to HN resulting from it being fully integrated into the USA segment during 2014.

**NOTE 6. REDEEMABLE NONCONTROLLING INTEREST IN NUTRA SA**

We hold a variable interest which relates to our 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).

	March 31, 2015	December 31, 2014
Cash and cash equivalents	\$37	\$269
Other current assets (restricted \$1,727 and \$1,980)	4,286	4,735
Property, net (restricted \$2,945 and \$3,727)	12,085	15,258
Goodwill and intangibles, net	3,006	3,722
Other noncurrent assets	29	34
Total assets	\$19,443	\$24,018
Current liabilities	\$5,637	\$5,346
Current portion of long-term debt (nonrecourse)	3,877	4,758
Long-term debt, less current portion (nonrecourse)	5,022	6,203



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Total liabilities	\$14,536	\$ 16,307
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Nutra SA's debt is secured by its accounts receivable and property. The non-Brazilian entities in our consolidated group do not guarantee any of Nutra SA's debt.

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## RiceBran Technologies

## Notes to Unaudited Condensed Consolidated Financial Statements

A summary of changes in redeemable noncontrolling interest in Nutra SA follows for the three months ended March 31, 2015 and 2014 (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	(644 )	(920 )
Investors' interest in other comprehensive loss of Nutra SA	(481 )	168
Accumulated Yield classified as other current liability	(142 )	-
Redeemable noncontrolling interest in Nutra SA, end of period	\$1,376	\$6,425
Investors' average interest in Nutra SA	34.2 %	45.2 %

In December 2010, we entered into a membership interest purchase agreement (MIPA) with AF Bran Holdings-NL LLC and AF Bran Holdings LLC (Investors). As of March 31, 2015 and December 31, 2014, the Investors interest was 33.9% and 34.7%. In the three months ended March 31, 2015, we invested an additional \$1.1 million in Nutra SA. We invested an additional \$0.2 million in Nutra SA between April 1, 2015, and May 13, 2015. 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.

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 March 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 limited liability company agreement for Nutra SA (LLC agreement), as amended, any units held by the Investors beginning January 1, 2014, accrue a yield at 4% (Yield). Commencing with the first quarter of 2014, Nutra SA must make distributions to the Investors quarterly in the amount equal to the previously accrued and unpaid Yield plus any additional distributions owed to the Investors, to the extent there is distributable cash, as defined in the LLC agreement. As of March 31, 2015, our balance sheet includes an other liability of \$0.7 million for Yield accumulated and unpaid. Nutra SA has made no Yield payments.

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

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

As of March 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 of at least \$4.0 million in any year beginning in 2015.

As of March 31, 2015, there have been no qualifying events. The LLC agreement defines a qualifying event as any event prior to September 16, 2014, which results, or will result, in (i) a person or group of persons exercising the right to appoint members to our board of directors holding one third or more of the votes of all board members, (ii) the sale, exchange, pledge or use as guarantee of one half or more of our ownership interest in Nutra SA to a third party or (iii) the bankruptcy of RiceBran Technologies or Nutra SA.

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

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

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

NOTE 7. INVENTORIES

Inventories are composed of the following (in thousands):

	March 31, 2015	December 31, 2014
Finished goods	\$2,674	\$ 1,103
Work in process	131	380
Raw materials	966	1,441
Packaging supplies	499	584
Total inventories	\$4,270	\$ 3,508

NOTE 8. PROPERTY

Property, plant and equipment consist of the following (in thousands):

	March 31, 2015	December 31, 2014
Land	\$477	\$ 364
Furniture and fixtures	449	539
Plant	15,631	15,942
Computer and software	1,871	1,701
Leasehold improvements	637	568
Machinery and equipment	22,854	21,519
Property	41,919	40,633
Less accumulated depreciation	20,483	15,880
Property, net	\$21,436	\$ 24,753

Included in accounts payable at March 31, 2015 is \$0.1 million related to amounts payable for machinery and equipment additions.

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NOTE 9. GOODWILL

A summary of goodwill activity follows for the three months ended March 31, 2015 and 2014.

	2015	2014
Goodwill, beginning of period	\$4,431	\$4,139
USA Segment - Acquisition of H&N	-	675
Brazil segment - Effect of foreign currency translation	(635 )	179
Goodwill, end of period	\$3,796	\$4,993

NOTE 10. EQUITY, SHARE-BASED COMPENSATION AND LIABILITY WARRANTS

A summary of equity activity for the three months ended March 31, 2015, (in thousands, except share and per share data) follows.

	Common Stock Shares	Amount	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
Balance, December 31, 2014	9,383,571	\$261,299	\$ (242,470 )	\$ (3,157 )	\$15,672
Share-based compensation, employees and directors	-	205	-	-	205
Other	3,251	14	-	-	14
Foreign currency translation	-	-	-	(937 )	(937 )
Net loss	-	-	(3,002 )	-	(3,002 )
Balance, March 31, 2015	9,386,822	\$261,518	\$ (245,472 )	\$ (4,094 )	\$11,952

A summary of stock option and warrant activity for the three months ended March 31, 2015, follows.

	Options			Equity and Liability Warrants		
	Shares Under Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Shares Under Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding, December 31, 2014	269,642	\$ 12.12	7.9	6,503,959	\$ 5.77	4.3
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited, expired or cancelled	(15,000 )	23.18	-	-	-	-
Outstanding, March 31, 2015	254,642	\$ 11.47	7.7	6,503,959	\$ 5.77	4.1
Exercisable, March 31, 2015	144,141	\$ 16.15	6.4	5,322,264	\$ 5.88	3.8

Equity Incentive Plan

The board of directors adopted our 2014 Equity Incentive Plan in August 2014, 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.

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In the third quarter of 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 vest in August 2015 (or at the next annual shareholder meeting date if earlier) and 185,182 shares which vest in August 2017. In the first quarter of 2015, we recognized \$0.2 million in compensation. As of March 31, 2015, we expect to recognize the remaining \$0.8 million of unrecognized compensation over a weighted average period of 2.2 years.

Warrants that Contain Antidilution Clauses

As of March 31, 2015, we have two warrant agreements outstanding (with one holder) that contain antidilution clauses. The related warrants are classified as derivative warrant liabilities in our balance sheets. Under the antidilution 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.

NOTE 11. DEBT

The following table summarizes current and long-term portions of debt (in thousands).

	March 31, 2015	December 31, 2014
Corporate segment:		
Subordinated notes, net	\$5,186	\$ 4,978
Other	144	157
	5,330	5,135
Brazil segment:		
Capital expansion loans	2,876	3,629
Working capital lines of credit	1,811	2,408
Advances on customer export orders	1,557	1,810
Special tax programs	2,585	3,016
Other	69	98
	8,898	10,961
Total debt	14,228	16,096
Current portion	3,931	4,808
Long-term portion	\$10,297	\$ 11,288

USA Segment

As of March 31, 2015, subordinated notes in the principal amount of \$6.5 million remain outstanding. The notes bear interest of 5% per year, payable quarterly, and mature in July 2016. We are accreting the notes up to their face value at an average annual interest rate of 22.7%.

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.

Capital Expansion Loans

In December 2011, Irgovel entered into loan agreements with the Bank of Brazil. As of March 31, 2015, the notes held a principal balance of R\$7.9 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. Irgovel used R\$1.5 million of the proceeds for working capital purposes and the remainder for the purchase of equipment and machinery. In July 2012, Irgovel entered into an agreement with the bank under which it borrowed R\$1.7 million for the purchase of certain equipment 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.



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Working Capital Lines of Credit

Irgovel has working capital lines of credit secured by accounts receivable. The total amount of borrowing cannot exceed 30%-100% of the collateral, depending on the agreement. The annual interest rates on this debt range from 10.4% to 34.8%, and average 26.2%. Principal maturities of amounts outstanding extend through September 2019.

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 5.0% to 10.0%, and average 9.6%. Principal maturities of amounts outstanding extend through 2015.

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 12.8% at March 31, 2015.

NOTE 12. COMMITMENTS AND CONTINGENCIES

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 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. On October 29, 2010, we initiated an arbitration proceeding against the Sellers for breaches of the Purchase Agreement, including claims related to Sellers' handling of the Resyng claim and whether any future payments are required under the Purchase Agreement. On February 25, 2015, the arbitration panel issued its opinion and ordered the Sellers to pay Irgovel and us R\$3.6 million plus arbitration fees, legal fees, and interest. We are currently seeking to confirm and obtain a final award in Brazil.

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## Notes to Unaudited Condensed Consolidated Financial Statement

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 March 31, 2015, the balance in the escrow account was \$1.9 million and is included in restricted cash in our balance sheets. There is an escrow liability related to the lawsuit in accrued expenses on our balance sheets as of March 31, 2015, totaling \$1.7 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 March 31, 2015, \$0.2 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 that there is no additional material exposure as any amounts determined to be owed as a result of the above noted litigation and contingencies will be covered by the escrow account. If and when received, we agreed to pay to Nutra SA ninety percent of any funds received from the escrow account or treat the funds retained as a distribution from Nutra SA and reduce our ownership percentage accordingly.

NOTE 13. SEGMENT INFORMATION

The tables below present segment information for the periods identified and provide reconciliations of segment information to total consolidated information (in thousands).

Three Months Ended March 31, 2015

	Corporate	USA	Brazil	Consolidated
Revenues	\$ -	\$5,062	\$4,597	\$ 9,659
Cost of goods sold	-	3,412	5,193	8,605
Gross profit	-	1,650	(596 )	1,054
Depreciation and amortization (in selling, general and administrative)	(15 )	(393 )	(97 )	(505 )
Other operating expense	(1,178 )	(1,452)	(857 )	(3,487 )
Income (loss) from operations	\$ (1,193 )	\$ (195 )	\$ (1,550)	\$ (2,938 )
Net income (loss) attributable to RiceBran Technologies shareholders	\$ (1,152 )	\$ (195 )	\$ (1,655)	\$ (3,002 )
Interest expense	294	-	505	799
Depreciation (in cost of goods sold)	-	141	516	657
Purchases of property	-	236	71	307

Three Months Ended March 31, 2014

	Corporate	USA	Brazil	Consolidated
Revenues	\$ -	\$4,993	\$2,691	\$ 7,684
Cost of goods sold	-	3,377	2,893	6,270
Gross profit	-	1,616	(202 )	1,414
Depreciation and amortization (in selling, general and administrative)	(10 )	(638 )	(170 )	(818 )
Other operating expense	(1,632 )	(742 )	(941 )	(3,315 )
Income (loss) from operations	\$ (1,642 )	\$236	\$ (1,313)	\$ (2,719 )
Net income (loss) attributable to RiceBran Technologies shareholders	\$ (988 )	\$236	\$ (1,113)	\$ (1,865 )
Interest expense	530	-	658	1,188
Depreciation (in cost of goods sold)	-	253	424	677
Purchases of property	84	143	1,976	2,203

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Notes to Unaudited Condensed Consolidated Financial Statement

The tables below present segment information for selected balance sheet accounts (in thousands).

	Corporate	USA	Brazil	Consolidated
<u>As of March 31, 2015</u>				
Inventories	\$ -	\$2,972	\$1,298	\$ 4,270
Property, net	440	8,911	12,085	21,436
Goodwill	-	790	3,006	3,796
Intangible assets, net	-	2,298	-	2,298
Total assets	3,073	17,139	19,443	39,655
<u>As of December 31, 2014</u>				
Inventories	-	2,219	1,289	3,508
Property, net	135	9,360	15,258	24,753
Goodwill	-	790	3,641	4,431
Intangible assets, net	-	2,658	82	2,740
Total assets	4,212	17,854	24,018	46,084

Corporate segment total assets include cash, restricted cash, property and other assets.

The following table presents revenue by geographic area for the three months ended March 31, 2015 and 2014 (in thousands).

	2015	2014
United States	\$4,962	\$4,500
Brazil	3,083	2,648
Other international	1,614	536
Total revenues	\$9,659	\$7,684

NOTE 14. 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 March 31, 2015, the fair value of our USA segment debt (Level 3 measurement) is approximately \$0.3 million higher than the \$5.3 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 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.

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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.

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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 March 31, 2015 - derivative warrant liabilities	\$ -	\$ -	\$(782)	\$(782)
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.

	March 31, 2015	December 31, 2014
Risk-free interest rate	0.2%	0.1% - 1.0% (0.7% weighted average)
Expected volatility	80.7% - 91.2% (88.2% weighted average)	95%

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

	Fair Value as of Beginning of Period	Total Realized and Unrealized Gains (Losses) (1)	Issuance of New Instruments	Fair Value, at End of Period	Change in Unrealized Gains (Losses) on Instruments Still Held
<u>Three Months Ended March 31, 2015</u>					
Derivative warrant liability	\$ (955 )	\$ 173	\$ -	\$(782 )	\$ 173
Derivative conversion liability	-	-	-	-	-
Total Level 3 fair value	\$ (955 )	\$ 173	\$ -	\$(782 )	\$ 173
<u>Three Months Ended March 31, 2014</u>					
Derivative warrant liability	\$ (1,685 )	\$ 1,555	\$ (4,991 )	\$(5,121 )	\$ 1,555
Derivative conversion liability	-	503	(589 )	(86 )	503
Total Level 3 fair value	\$ (1,685 )	\$ 2,058	\$ (5,580 )	\$(5,207 )	\$ 2,058

(1)

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

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 in 2012. The terms of the notes beneficially owned by Mr. Halpern were modified in the fourth quarter of 2013. In the three months ended March 31, 2015 and 2014 we paid less than \$0.1 million of interest on subordinated notes beneficially owned by Mr. Halpern.

Transactions with W. John Short

W. John Short, our chief executive officer and director, invested in our subordinated convertible notes and related warrants \$25 thousand in January 2012 and \$25 thousand in April 2013. The terms of the notes beneficially owned by Mr. Short were modified in the fourth quarter of 2013. In the three months ended March 31, 2015 and 2014 we paid less than \$1 thousand of interest on subordinated notes beneficially owned by Mr. Short.

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NOTE 16. INCOME TAXES

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 finalized the exact amount of such limitation, as the rules in this area are complex, and our estimate of the annual limitation is subject to change.

NOTE 17. CONCENTRATION OF CREDIT RISK

One USA segment customer accounted for approximately 28% of our consolidated revenues for the three months ended March 31, 2015 and 27% of our consolidated revenues for the three months ended March 31, 2014. This customer accounted for approximately 2% and 3% of our consolidated accounts receivable balances at March 31, 2015 and 2014, respectively.

NOTE 18. SUBSEQUENT EVENT

On May 12, 2015, we entered into an \$8 million senior secured credit facility agreement with a lender consisting of a \$3.5 million maximum working capital revolver and two term loan tranches. The credit facility will mature on June 1, 2018, with the potential for two one-year maturity extensions. As part of the agreement, the lender received warrants to purchase 300,000 shares of our stock at a strike price of \$5.25, exercisable over a five year term. This credit facility will be subject to certain financial and non-financial covenants.

As a result of the financing transaction, a majority of the subordinated note holders representing approximately 97% of the principal due have agreed to extend the maturity date of their notes to June 1, 2018. The interest rate will increase to 11.75% and the participating subordinated noteholders will receive 289,670 warrants cumulatively.



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

The following discussion and analysis addresses material changes in the results of operations and financial condition of RiceBran Technologies and subsidiaries for the periods presented. This discussion and analysis should be read in conjunction with the consolidated financial statements, the related notes thereto, and management's discussion and analysis of results of operations and financial condition included in our Annual Report on Form 10-K, for the year ended December 31, 2014.

In 2014 and the first three months of 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.

As described further in Note 5 of our consolidated financial statements, in January 2014, we completed the acquisition of H&N Distribution, Inc. (HN), the operations of which are accretive to cash flows. Our Brazilian subsidiary, Irgovel, recently completed the final stages of a major capital expansion. Significant cash was used during the shutdown period. Operations at Irgovel are expected to improve during the second quarter of 2015, such that Irgovel should be operating at its targeted capacity.

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 (RRB), 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 RRB 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 SRB), RiFiber (a fiber rich derivative of SRB), 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 in various granulations along with Stage II products (described below) and derivatives and formulates and co-packages products and (ii) Brazil segment, which extracts crude RBO and DRB from rice bran, which are then further processed into fully refined rice bran oil for sale internationally and in Brazil, compounded animal nutrition products and a number of valuable human food and animal nutrition products derivatives and co-products. 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 interest, are made to the operating segments.

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

The USA segment produces SRB inside two rice bran stabilization facilities, located within supplier rice mills in Arbuckle and West Sacramento, California, and one owned facility in Mermentau, Louisiana. At Dillon, Montana, the USA segment also produces our Stage II products including: RiSolubles, a highly nutritious, carbohydrate and lipid rich fraction of SRB; RiFiber, a fiber rich derivative of SRB, RiBalance, a complete rice bran nutritional package

derived from further processing RiBalance, and ProRyza, protein-based products. “Stage II” refers to the proprietary processes run at our Dillon, Montana facility and describes products produced at that facility using our patented processes. The manufacturing facilities included in our USA segment have proprietary processing equipment and process patented technology for the stabilization and further processing of rice bran into finished products. Beginning January 2, 2014, with the acquisition of HN, we also formulate and copack products at a leased facility in Irving, Texas. We lease a facility in West Sacramento, California that houses a laboratory, warehouse and production facilities. We use an owned facility in Lake Charles, Louisiana, as a temporary warehouse. In the three months ended March 31, 2015, approximately 81% of USA segment revenue was from sales of human food products and the remainder was from sales of animal nutrition products.

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The Brazil segment consists of the consolidated operations of Nutra SA, whose only operating subsidiary is Irgovel, located in Pelotas, Brazil. Irgovel manufactures RBO and DRB products for both the human ingredient and animal nutrition markets in Brazil and internationally. In refining RBO to an edible grade, several co-products are obtained. One such product is distilled fatty acids, a valuable raw material for the detergent industry. Irgovel recently started production of rice lecithin, which has application in human nutrition, animal nutrition and industrial applications. DRB is compounded with a number of other ingredients to produce complex animal nutrition products which are packaged and sold under Irgovel brands in the Brazilian market, sold as a raw material for further processing into human food ingredients or sold in bulk into the animal nutrition markets in Brazil and neighboring countries. In 2014, approximately 39% of Brazil segment product revenue was from sales of RBO products and the remainder was from sales of DRB products. In the three months ended March 31, 2015, approximately 47% of Brazil segment product revenue was from sales of RBO products and the remainder was from sales of DRB products.

Results of OperationsTHREE MONTHS ENDED MARCH 31, 2015 and 2014

Consolidated net loss attributable to RiceBran Technologies shareholders for the three months ended March 31, 2015, was \$3.0 million, or \$0.33 per share, compared to a loss of \$1.9 million, or \$0.62 per share, for the three months ended March 31, 2014.

Revenue and Gross Profit

Revenues (in thousands):

	Three Months Ended March 31,					
	2015	% of Total Revenues	2014	% of Total Revenues	Change	% Change
USA segment	\$5,062	52.4	\$4,993	65.0	\$69	1.4
Brazil segment	4,597	47.6	2,691	35.0	1,906	70.8
Total revenues	\$9,659	100.0	\$7,684	100.0	\$1,975	25.7

Consolidated revenues for the three months ended March 31, 2015, were \$9.7 million compared to \$7.7 million in the prior year period, an increase of \$2.0 million, or 25.7%.

USA segment revenues remained consistent in 2015 compared to 2014. Animal feed product revenues decreased \$2.3 million on lower volume while human nutrition product revenues increased \$2.3 million, in large part due to increased sales in the human functional food market. We continue to focus on increasing the higher margin human nutrition product revenue in our mix of revenues.

Brazil segment revenues increased \$1.9 million, or 70.8% in 2015 compared to 2014. Revenues for the first quarter of 2015 were negatively impacted by a nationwide truck drivers strike in Brazil related to disputes over diesel prices and fixed freight rates. Due to the strike, Irgovel was unable to deliver or export product to customers for twelve days at the end of February and beginning of March. Freight traffic normalized by the end of the quarter although the strike related issues have not been fully resolved and remain a risk relative to our ability to receive and deliver goods.

Prior year revenues were negatively affected by the Irgovel plant shut down that began in January 2014. The plant was shut down until early April 2014 to allow for completion of the final stages of a major capital expansion project. Production began again in April 2014 on a limited basis. During the 2014 first quarter, inventory available for sale was limited to certain animal feed products that utilized DRB that had been stockpiled prior to the shutdown.

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Production yields were limited by the quality of rice bran stored during shut down.

Gross profit (in thousands):

	Three Months Ended March 31,					
	Gross Profit		Gross Profit %		Change in Gross Profit	
	2015	%	2014		Change	%
USA segment	\$1,650	32.6	\$1,616	32.4	\$ 34	0.2
Brazil segment	(596 )	(13.0)	(202 )	(7.5 )	(394 )	(5.5 )
Total gross profit	\$1,054	10.9	\$1,414	18.4	\$(360 )	(7.5 )

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Consolidated gross profit in the first quarter of 2015 decreased \$0.4 million, or 7.5 percentage points, to \$1.1 million for the three months ended March 31, 2015, compared to \$1.4 million in the prior year period.

The USA segment gross profit increased \$0.1 million, to \$1.7 million in 2015, from \$1.6 million in 2014. The slight improvement was attributable to increased human nutrition product revenues from the resulting shift in sales mix from animal nutrition to human ingredient products. Raw bran prices also showed modest decreases but were offset by sales mix within the human nutrition category when comparing quarter over quarter.

Brazil segment gross profit declined \$0.4 million, or 5.5 percentage points. In addition to shipping challenges created by the nationwide truck driver strike, the strike impacted our ability to receive raw rice bran deliveries. Further, when bran eventually was delivered, the quality was impaired due to higher fatty acid levels associated with the extra time between milling and delivery to the plant. These challenges prevented the Brazil segment from reaching targeted production and revenue levels and resulted in negative gross profit.

Operating Expenses (in thousands):

	Three Months Ended March 31, 2015			
	Corporate	USA	Brazil	Consolidated
Selling, general and administrative	\$ 1,178	\$ 1,452	\$ 857	\$ 3,487
Depreciation and amortization	15	393	97	505
Total operating expenses	\$ 1,193	\$ 1,845	\$ 954	\$ 3,992
	Three Months Ended March 31, 2014			
	Corporate	USA	Brazil	Consolidated
Selling, general and administrative	\$ 1,632	\$ 742	\$ 941	\$ 3,315
Depreciation and amortization	10	638	170	818
Total operating expenses	\$ 1,642	\$ 1,380	\$ 1,111	\$ 4,133
	Favorable (Unfavorable) Change			
	Corporate	USA	Brazil	Consolidated
Selling, general and administrative	\$ 454	\$ (710)	\$ 84	\$ (172)
Depreciation and amortization	(5)	245	73	313
Total operating expenses	\$ 449	\$ (465)	\$ 157	\$ 141

Consolidated operating expenses were \$4.0 million for the first quarter of 2015, compared to \$4.1 million for the first quarter of 2014, a decrease of \$0.1 million.

Corporate segment selling, general and administrative expenses (SG&A) decreased \$0.5 million. Outside service and professional fee expenses decreased \$0.3 million and the remainder of the decrease related to bank fees and labor related costs.

USA segment SG&A expenses increased \$0.7 million. Salary, wages, and benefit related expenses increased \$0.4 million. The remainder of the increase related to research and development and travel expenses.

Brazil segment SG&A expenses decreased \$0.1 million in 2015, mostly due to fluctuations in the exchange rates between the Brazilian Real and the US Dollar. The average exchange rate decreased 17% quarter over quarter.

USA segment depreciation and amortization expense increased \$0.2 million due to the completion of capital expansion projects at our Dillon facility that began depreciating in the fourth quarter of 2014.



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	Three Months Ended March 31, 2015			
	Corporate	USA	Brazil	Consolidated
Interest income	\$-	\$ -	\$49	\$ 49
Interest expense	(294)	-	(505)	(799 )
Foreign currency exchange, net	-	-	(219)	(219 )
Change in fair value of derivative warrant and conversion liabilities	173	-	-	173
Financing expense	-	-	-	-
Other	155	-	(73 )	82
Other income (expense)	\$34	\$ -	\$(748)	\$ (714 )

  

	Three Months Ended March 31, 2014			
	Corporate	USA	Brazil	Consolidated
Interest income	\$-	\$ -	\$15	\$ 15
Interest expense	(529 )	-	(659)	(1,188 )
Foreign currency exchange, net	-	-	75	75
Change in fair value of derivative warrant and conversion liabilities	2,058	-	-	2,058
Financing expense	(1,122)	-	-	(1,122 )
Other	-	-	(152)	(152 )
Other income (expense)	\$407	\$ -	\$(721)	\$ (314 )

  

	Favorable (Unfavorable) Change			
	Corporate	USA	Brazil	Consolidated
Interest income	\$-	\$ -	\$34	\$ 34
Interest expense	235	-	154	389
Foreign currency exchange, net	-	-	(294)	(294 )
Change in fair value of derivative warrant and conversion liabilities	(1,885)	-	-	(1,885 )
Financing expense	1,122	-	-	1,122
Other	155	-	79	234
Other income (expense)	\$(373 )	\$ -	\$(27 )	\$(400 )

Consolidated other expense was \$0.7 million for the first quarter of 2015, compared to other expense of \$0.3 million for the first quarter of 2014.

The Corporate segment experienced a \$0.2 million decrease in interest expense as a result of lower average outstanding borrowings. In addition, the Corporate segment also experienced a \$1.9 million decrease in income from the change in the fair value of derivative warrant and conversion liabilities. Our liability warrants and conversion liabilities are valued using the lattice model each reporting period and the resulting change in fair value is recorded in the statements of operations. The lattice model requires us to assess the probability of future issuance of equity instruments at a price lower than the current exercise price of the warrants and make certain other assumptions. A lower average of outstanding warrants between periods as well as changes to our stock price during the period contributed to the change. In addition, during the first quarter of 2015 we had no conversion liabilities.

The Corporate segment experienced a \$1.1 million decrease in financing expense. In the first quarter of 2014, the expense was associated with the March 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 \$0.2 million decrease in interest expense was a result of a decrease in average debt and interest bearing payables outstanding. The \$0.3 million change in foreign currency exchange gain (loss) related to the impact of exchange rate changes 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 the three months ended March 31, 2015 and 2014, is presented below by segment (in thousands).



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	Three Months Ended March 31, 2015		
	Corporate and USA Brazil		Consolidated
Net loss	\$(1,347)	\$(2,299)	\$ (3,646 )
Adjustments to reconcile net loss to net cash used in operations:			
Depreciation and amortization	549	613	1,162
Change in fair value of derivative warrant and conversion liabilities	(173 )	-	(173 )
Financing expense	-	-	-
Other adjustments, net	429	51	480
Changes in operating assets and liabilities	(300 )	512	212
Net cash used in operating activities	\$(842 )	\$(1,123)	\$ (1,965 )

	Three Months Ended March 31, 2014		
	Corporate and USA Brazil		Consolidated
Net loss	\$(752 )	\$(2,033)	\$ (2,785 )
Adjustments to reconcile net loss to net cash used in operations:			
Depreciation and amortization	901	594	1,495
Change in fair value of derivative warrant and conversion liabilities	(2,058)	-	(2,058 )
Financing expense	1,122	-	1,122
Other adjustments, net	134	21	155
Changes in operating assets and liabilities	(250 )	772	522
Net cash used in operating activities	\$(903 )	\$(646 )	\$ (1,549 )

On a combined basis, the Corporate and USA segments used \$0.8 million of cash in operating activities in the first three months of 2015, compared to using \$0.9 million of operating cash in the first three months of 2014. We funded the use of cash with available cash on hand derived from equity financings in 2014. On May 12, 2015, we entered into an \$8 million senior secured credit facility agreement consisting of a \$3.5 million maximum working capital revolver and two term loan tranches.

The Brazil segment used \$1.1 million in operating cash in the first three months of 2015, compared to using \$0.6 million of operating cash in the first three months of 2014. These losses were funded through additional equity contributions from the USA segment totaling \$1.1 million and \$1.9 million during the first quarters of 2015 and 2014, respectively.

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 risk, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides us financing and liquidity support or market risk or credit risk support.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements requires management to make

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estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures on the date of the financial statements. On an ongoing basis, we evaluate the estimates, including, but not limited to, those related to revenue recognition. We use authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates.

For further information about other critical accounting policies, see the discussion of critical accounting policies in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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Recent Accounting Pronouncements

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

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

In April 2015, the FASB issued guidance on the presentation and disclosure of debt issuance costs. The update 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. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption permitted for financial statements that have not been previously issued. The adoption of this statement will impact future presentation and disclosures of the financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable

Item 4. Controls and Procedures

We evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding certain legal proceedings to which we are a party can be found in the description of legal proceedings contained in our Annual Report on Form 10-K for the year ended December 31, 2014 and is incorporated herein by reference. There have not been any material developments with respect to such proceedings during the quarter to which this report on Form 10-Q relates.

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. 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. 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.

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Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014, which could materially affect our business, financial condition, liquidity or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, liquidity or future results.

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

During the quarter ended March 31, 2015, we issued the securities described below without registration under the Securities Act. Unless otherwise indicated below, the securities were issued pursuant to the private placement exemption provided by Section 4(a)(2) of the Securities Act of 1933, as amended. All issuances below were made without any public solicitation, to a limited number of persons and were acquired for investment purposes only.

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

Date of Issuance	Shares of Common Stock	Vesting Period
March 31, 2015	3,251	Immediate

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

The following exhibits are attached hereto and filed herewith:

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Exhibit  
Number

Description of Exhibit

<u>31.1</u>	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>31.2</u>	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>32.1</u>	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS (1) XBRL Instance Document

101.SCH  
(1) XBRL Taxonomy Extension Schema Document

101.CAL  
(1) XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF  
(1) XBRL Taxonomy Extension Calculation Definition Document

101.LAB  
(1) XBRL Taxonomy Extension Calculation Label Document

101.PRE  
(1) XBRL Taxonomy Extension Calculation Presentation Document

(1) 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.

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SIGNATURES

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

Dated: May 13, 2015

/s/ W. John Short  
W. John Short  
Chief Executive  
Officer

/s/ J. Dale Belt  
Jerry Dale Belt  
Chief Financial  
Officer