RiceBran Technologies
Form 10-K
March 16, 2018

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, 2017

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.)
820 Riverside Parkway West Sacramento, CA	95605
(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 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, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of June 30, 2017, the aggregate market value of our common stock held by non-affiliates was $15,761,754

As of March 8, 2018, there were 18,178,724 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, 2017, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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," "estimates," "intends," "plans," "projects," "will," "may" and similar expressions are intended to identify forward-lo 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. Future events and actual results could 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. We do not endorse any projections regarding future performance that may be made by third parties.

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

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PART I

ITEM 1. BUSINESS

Overview

Our Company

We are an ingredient company serving food, animal nutrition and specialty markets 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.

We apply our proprietary and patented technologies and intellectual properties to convert raw rice bran into numerous high value products including:

- stabilized rice bran or SRB, 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 includes derivatives composed of protein and protein/fiber blends.

We manufacture and distribute SRB (for food and animal nutrition customers) and derivative products with an emphasis on utilization of our proprietary and patented food ingredients. We process raw rice bran into various high quality, value-added constituents and finished products. Over the past decade, we have developed and optimized our proprietary processes to support the production of healthy, natural and non-genetically modified ingredients that are free of all major allergens for use in meats, baked goods, cereals, coatings, health foods, high-end animal nutrition and animal health products. Our target markets are food and animal nutrition manufacturers, wholesalers and retailers, both domestically and internationally.

We incorporated under the laws of the State of California in 1998. From July 2003 until October 2012, our corporate name was "NutraCea." In October 2012, we changed our name to RiceBran Technologies. As of December 31, 2017, our corporate headquarters are located in California. We intend to relocate our corporate headquarters to Texas during the second quarter of 2018. Over the past several years, we have acquired and divested of certain investments:

- 2017 – Divested of our majority interest in Nutra S.A. LLC (Nutra SA). Nutra SA's only operating subsidiary was Industria Riograndens De Oleos Vegetais Ltda. (Irgovel), which operates a rice bran oil refining plant in Pelotas, Brazil.
- 2017 – Divested of Healthy Natural, Inc. (HN), which had a formulating, blending and co-packaging facility in Irving, Texas, where we manufactured blended and/or packaged functional food products for the nutrition and functional food markets.
- 2016 – 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.
- 2014 – Acquired H&N Distribution Inc., an Irving, Texas based company now operating as Healthy Natural, Inc. (HN) which has a formulating, blending and co-packaging facility in Irving, Texas, where we manufacture blended and/or packaged functional food products for the nutrition and functional food markets.
- 2008 – Through our subsidiary Nutra S.A. LLC (Nutra SA), we initially acquired 100% ownership of Irgovel. In 2011, we sold a minority interest in Nutra SA to AF Bran Holdings-NL LLC and AF Bran Holding LLC.

We source SRB at three locations: two leased raw rice bran stabilization facilities located within supplier-owned rice mills in Arbuckle and West Sacramento, California; and one company-owned rice bran stabilization facility in Mermentau, Louisiana. We produce our process patented Stage II products at our Dillon, Montana facility, 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 SRB, and our ProRyza family of products including, protein- and protein/fiber-based products. “Stage II” refers to the products produced using our patented process technology operated at our Dillon, Montana facility. We operate proprietary processing equipment and process-patented technology for the stabilization and further processing of rice bran into finished products.

Our Products

We believe our greatest market opportunities are in the food ingredient and animal nutrition markets. Nutritionally balanced, minimally processed, clean-label food and animal feed ingredients 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”.

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Food Ingredients

Our SRB and derivative products are nutritional 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 to their products include processed meats, cereals, snacks, beverages, baked goods, breading and batters.

In 2008, we received U. S. Department of Agriculture (USDA) Food Safety and Inspection Service (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 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, we believe our SRB has a significant market opportunity in the comminuted meat market both inside and outside of the United States.

Animal Nutrition

Our SRB is marketed as a feed ingredient in the United States and international animal nutrition markets, and we will continue to pursue sales opportunities with attractive margins in those markets. SRB is used as an equine feed ingredient and has 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. We are also now pursuing numerous opportunities in the markets for companion animal products.

About Rice Bran

Rice is the staple food for over half of the world's population, especially in some 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, the United States ranks 11th in rice production with approximately 2% of the global total.

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.

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.

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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 various size bags 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 600 pounds per hour, for installation in locations where rice mills are substantially smaller than those in the United States.

Additional patented and proprietary processes involve enzyme treatment of SRB 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 in an aqueous slurry, is treated with one or more enzymes, centrifugally separated and the fractions dried on drum driers, spray driers or other drying systems.

Our Stabilization Process

Rice bran is free of all major allergens and is a valuable source of protein with a balanced amino acid profile for food ingredient products 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 kcal/gram

Rice bran contains approximately 18-23% oil, which has a favorable fatty acid composition and excellent heat stability.

Intellectual Property

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 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 stabilization and processing 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.

We 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.

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Our Growth Strategy

We are pursuing a simple growth strategy based on a few key initiatives. Management, working closely with our Board, is focused on growing our markets and business, generating positive adjusted EBITDA (earnings before depreciation, interest, taxes, amortization and share-based compensation to employees and directors), improving our financial condition, and maximizing shareholder value. The following points summarize our growth strategy:

1. Building a stronger pipeline of sales and growth from existing and new customers: During much of 2017 we repositioned our sales team to take advantage of customer types and geographic reach. We added expertise in companion animal, snacks and bakery, protein, and fiber areas to complement our existing selling strengths in equine and lifestyle markets.

The global and domestic markets are strong and rapidly expanding for minimally processed plant-based ingredients that provide dense and balanced nutrition in addition to evidence-based functionalities while also being free of all major allergens and being non-GMO. The regulatory requirements to add front-of-label warnings on food items and increasing demand from consumers for foods that list fewer and less processed ingredients is driving food companies to replace standard food ingredients with cleaner ingredients, such as stabilized rice bran. We anticipate further incorporation of our food ingredients by major consumer packaged goods food companies as more food companies adopt rice bran as a standard clean label food ingredient. This trend is not limited to food ingredients, as we are finding similar transition to clean ingredients among high-end animal nutrition companies. We believe this positions us well to pursue these growth opportunities.

2. Concurrently working to strengthen our bran supply, with a particular focus on expanding in the Delta region of the U.S.: We are meeting with numerous participants in the U.S. rice milling industry to expand our footprint with additional bran supplies. We are focused on building a stronger presence in the Delta region of the U.S. rice industry, particularly in Arkansas and Louisiana, which typically account for near 70% of the U.S. rice harvest (over 50% in Arkansas alone). Building a stronger presence in the Delta will also provide us with logistical benefits to serve our customers located east of the Rocky Mountains. We also remain committed to building a strong presence in California, which typically accounts for over 20% of the U.S. rice harvest.

3. Driving operational efficiencies and cost and expense reductions: We are focused on improving our operational efficiencies while driving cost and expense reductions. Absorption has been an historical issue for the company, and we hope to improve absorption by driving greater volumes through our existing facilities, which should reduce our costs per unit of production. We have made considerable efforts to lower costs and expenses as well in areas related to headcount, salaries and wages, travel and entertainment, and shop supply purchases.

4. Consolidation of our operating footprint: We are increasingly focused on building our market presence in the Delta (Arkansas and Louisiana) in addition to our traditional focus in the Sacramento Valley region of California. We recently occupied a 59,800 square foot office, distribution, and processing facility in West Sacramento, CA. This facility provides us with a food grade building that will help us better meet our customer needs. We also plan to occupy a new corporate office in The Woodlands, Texas, during the second quarter of 2018. The Woodlands is located near Houston-Bush Intercontinental Airport, one of the most active airports in the U.S., and is a suburb of Houston, one of the fastest growing SMAs in the U.S. The Woodlands is about a 2- to 3-hour drive from our existing facilities in Mermentau and Lake Charles, Louisiana, and provides us flights of 75 minutes or less to reach most of the key rice milling areas of the Delta states. The large corporate population – the Houston SMA is habited by 54 Fortune 1000 companies – which provides us a large pool of possible employees versed in public company needs. In addition, both regions allow us to partner with an established scientific and university community at and around institutions like University of California-Davis and Texas A&M.

5.

New product development: We are focused on extending our proprietary product and process technologies, finding new products and processes, and working to define new niches for existing products.

Our Customers

We use internal sales staff, outside independent sales representatives and third-party distributors to market our portfolio of products to customers domestically and internationally. In 2017 and 2016, three customers accounted for 39% and 40%, respectively, of our revenues. We continue to focus efforts on diversification of our customer base in an attempt to mitigate the concentration of customers.

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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.

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.

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 relationships 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.

The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of our products are subject to regulation by one or more federal agencies, primarily the Food & Drug Administration (FDA), the Federal Trade Commission (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 the FDA's authority over various aspects of food regulation. The FSMA granted the 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 more significant changes under FSMA is the requirement of hazard analysis and risk-based preventive controls (HARPC) for all human and animal food processing facilities. We are committed to FSMA compliance and currently working toward SQF certification for each of our facilities.

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 meat enhancers is regulated by this agency. SRB has USDA approval for use in certain meat products.

Animal feed ingredients are regulated by the FDA at the federal level and by the individual states. Our SRB is defined for animal use as heat stabilized rice bran for use as a feed ingredient.

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Our Competition

There are a number of companies that have invested significant resources to develop 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 food ingredient product 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.

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

We compete with other companies that offer products incorporating SRB as well as companies that offer other food ingredients. Many consumers may consider such products to be a replacement for the products we manufacture and distribute.

Our Employees

As of December 31, 2017, we had 65 employees located in the United States. 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 employees are covered by collective bargaining agreements.

Available Information

We maintain an Internet website at the following address: www.ricebrantech.com. We make available on or through our Internet website certain reports and amendments to those reports that we file with the Securities and Exchange Commission (SEC) in accordance with the Securities Exchange Act of 1934 (Exchange Act). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and the reports of beneficial ownership. 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 Exchange Act.

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 of continuing operations was $5.0 million in 2017 and $8.5 million in 2016. 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.

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 $265 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 shareholder investment. Further, we may be unable to pay our debt obligations as they become due, which include obligations to secured creditors.

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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 and the 2013 COSO Framework. 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 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.

The anticipated benefits of moving our corporate headquarters to Texas may not be realized, and difficulties in connection with moving corporate headquarters could have an adverse effect on us.

We intend to relocate our corporate headquarters to The Woodlands, Texas sometime during the second quarter of 2018. We recognize some of our executive officers and other key decision makers may not relocate to Texas. We may face significant challenges in relocating our principal executive office to a different state, including difficulties in retaining and attracting officers, key personnel and other employees and challenges in maintaining corporate headquarters in a state different from where other employees, including other executive officers, corporate support staff and manufacturing facilities, are located. Employees may be uncertain about their future roles within our organization as a result of the relocation. Management may also be required to devote substantial time to relocating our corporate headquarters and related matters, which could otherwise be devoted to focusing on ongoing business operations and other initiatives and opportunities. Any such difficulties could have an adverse effect on our business, results of operations or financial condition.

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We may face difficulties integrating businesses we acquire.

As part of our strategy, we may review opportunities to buy other businesses or technologies 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, but not limited to:

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

We depend on a limited number of customers and their ability to meet their obligations.

In 2017, three customers accounted for 39% of revenues and the top ten customers accounted for 63% of revenues from continuing operations. As of December 31, 2017, the customers with the highest ten balances accounted for 70% of 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. 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. A significant reduction in sales to any of our significant customers could have a material adverse effect on our results of operations.

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, 2017, have been based on SRB. A decline in the market demand for our SRB or the products of other companies utilizing our SRB 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, health food retailers and to other companies for use in their products. We must increase the level of awareness and benefits of rice bran products to be used in food and food ingredients 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.

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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 these facilities and our value-added product plants in Dillon, Montana, 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 drought conditions 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 food ingredients, 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.

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. 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. We are subject to regulation by one or more federal agencies including the U.S. Food and Drug Administration, the U.S. Federal Trade Commission and the U.S. Department of Agriculture, state and local authorities and foreign governmental agencies. 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.

Change in U.S. tax law in December 2017 could potentially impact the measurement of our financial condition and operating results.

On December 22, 2017, the United States enacted significant changes to U.S. tax law following the passage and signing of H.R.1, "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" (the Tax Act). The Tax Act reduces the U.S. federal corporate tax rate to a maximum of 21 percent. As of December 31, 2017, we have not completed our accounting for the tax effects of the enactment of the Tax Act, however, in certain cases, as described below, we have made a reasonable estimate of the effects on our existing deferred tax balances. The application of this rate reduction to the ending deferred tax assets and deferred tax liabilities impacted our expense for income taxes by $7.1 million which was fully offset by a corresponding change to our valuation allowance in 2017. We are still analyzing the Tax Act and refining our calculations, which could potentially impact the measurement of our tax balances. The Tax Act contains several base broadening provisions that became effective on January 1, 2018, that we do not expect to have a material impact on future earnings.

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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.

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 our chief executive officer and chief financial officer. Although we have written employment agreements with these employees, 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.

In order to comply with laws, regulations and standards relating to corporate governance and public disclosure, including the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) entitled “Internal Control - Integrated Framework (the “2013 Framework), and other regulations issued by the SEC, such as Dodd-Frank, we may need to invest substantial resources to comply with these 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.

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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:

- fluctuations in our quarterly or annual operating results;
- fluctuations in the cost of raw rice bran;
- developments in our relationships with customers and suppliers;
- our ability to obtain financing;
- announcements of new products or product enhancements by us or our competitors;
- announcements of technological innovations or new systems or enhancements used by us or our competitors;
- the loss of services of one or more of our executive officers or other key employees;
- 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.

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 8, 2018, 18,178,724 shares of common stock were outstanding (including 1,275,452 shares of nonvested stock), 22,322,909 shares of common stock were issuable upon exercise of our outstanding stock options and warrants, 597,865 shares of common stock were issuable upon conversion of preferred stock and 470,000 shares of common stock issuable upon vesting of restricted stock units. 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 authorization and issuance of preferred stock may have an adverse effect on the rights of holders of our common stock.

Our Board, 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 that no longer remain outstanding. In addition, in February 2016 and February 2017, respectively, we designated and issued a sixth and seventh series of preferred stock, Series F and Series G. As of March 8, 2018, no shares of Series F preferred stock and 630 shares of Series G preferred stock remain outstanding. We may issue additional series of preferred stock in the future.

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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, including maintaining a minimum of $2.5 million in shareholders’ equity and maintaining a minimum common stock bid price of $1.00. 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.

There can be no assurance that we will continue to meet these continued listing requirements or other Nasdaq compliance standards in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 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 15, 2018:

Location	Status	Primary Use
West Sacramento, California	Leased	Warehousing, and corporate office
Mermentau, Louisiana	Owned	Manufacturing
Lake Charles, Louisiana	Building – owned Land – leased	Warehouse
Dillon, Montana	Owned	Manufacturing
Scottsdale, Arizona	Leased	Administrative

Our corporate headquarters is located in West Sacramento, California. We lease approximately 4,500 square feet of administrative office space in Scottsdale. We are moving our corporate headquarters to The Woodlands, Texas during the second quarter of 2018, and our lease for administrative offices in Scottsdale terminates April 30, 2018.

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

We currently are not a party to any material litigation or other material legal proceedings. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Price Range of Common Stock

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

	Low	High
2017		
Fourth Quarter	$1.15	$1.55
Third Quarter	0.90	1.40
Second Quarter	0.69	0.99
First Quarter	0.75	1.16
2016		
Fourth Quarter	$0.74	$1.43
Third Quarter	1.17	1.77
Second Quarter	1.12	2.19
First Quarter	1.07	2.36

Holders

As of March 8, 2018, there were approximately 285 holders of record and 7,190 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.

Recent Sales of Unregistered Securities

During the quarter ended December 31, 2017, 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.

On December 15, 2017, we issued 511,602 shares of common stock upon the cashless exercise of a warrant for the purchase of up to 1,546,667 shares of our common stock.

During the quarter ended December 31, 2017, we issued 635,824 shares of common stock upon the conversion of 670 shares of Series G convertible preferred stock. These issuances were exempt from registration pursuant to Section

3(a)(9) of the Securities Act of 1933.

Share Repurchases

We did not repurchase any of our common stock in 2017.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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

See Note 4 of our Notes to Consolidated Financial Statements for a discussion of divestitures and discontinued operations.

Results of Operations

During the second quarter of 2017, we began to separately report the results of our wholly-owned subsidiary, Healthy Natural, Inc. (HN) and our investment in Nutra SA as discontinued operations in our consolidated statements of operations and present the related assets and liabilities as held for sale in our consolidated balance sheets. These changes have been applied for all periods presented. Unless otherwise noted, amounts and percentages for all periods discussed below reflect the results of operations and financial condition from our continuing operations. Refer to Note 4 of our Notes to Consolidated Financial Statements for additional information on discontinued operations.

	Years Ended December 31		Change
	2017	2016	%
	(in thousands)		
Revenues	$ 13,355	$ 12,982	2.9
Cost of goods sold	9,564	9,855	3.0
Gross profit	3,791	3,127	21.2
Gross profit %	28.4 %	24.1 %	
Selling, general and administrative expenses	9,888	12,384	20.2
Loss from operations	(6,097)	(9,257)	34.1
Other income (expense):			
Interest expense	(1,623)	(2,483)	
Change in fair value of derivative warrant liabilities	670	1,625	
Loss on extinguishment of debt	(8,290)	-	
Gain on resolution of Irgovel purchase litigation	-	1,598	
Other, net	125	563	
Total other (expense) income	(9,118)	1,303	
Loss before income taxes	$ (15,215)	$ (7,954)	

Revenues increased $0.4 million, or 2.9%, in 2017 compared to the 2016. Animal feed product revenues increased 9%. Animal nutrition revenue growth was driven by the supply and cooperation agreement entered into with Kentucky Equine Research (KER) at the end of December 2015. Food product revenues decreased less than 2% year over year, primarily due to timing of shipments.

Gross profit percentage increased 4.3 percentage points to 28.4% in 2017 from 24.1% in 2016. The increase in gross profit was primarily attributable to the approximately 4.2% decrease in raw bran prices during 2017 compared to 2016. Additionally, the improvement in gross profit was attributable to a decrease in obsolete inventory during 2017 compared to the prior year.

Selling, general and administrative (SG&A) expenses were $9.9 million in 2017, compared to $12.4 million in 2016, a decrease of $2.5 million, or 20.2%. The decrease is related to our continued strategic effort to manage costs and expenses. Due to the reduction of staff and outside sales consultants, the SG&A salary, wages and benefits expenses decreased $0.8 million. Additionally, travel expenses and marketing expenses decreased $0.4 million.

Corporate portion of the SG&A expenses decreased $1.3 million, or 18%, in 2017 compared to the prior year. This was primarily related to the additional expenses during the second quarter of 2016 incurred as a result of the proxy contest in connection with the 2016 Annual Shareholder Meeting. Additionally, we incurred additional expenses during the third quarter of 2016 as a result of the settlement related to the termination of the former chief executive officer.

Other income (expense) was $9.1 million of other expense for 2017 compared to $1.3 million of other income for 2016. The $10.4 million increase in expense is primarily related to an $8.3 million loss on extinguishment comprised of (i) a $6.6 million loss related to accreting the senior debentures and subordinated notes to face value when the notes were fully paid off in July 2017 from the HN divestiture proceeds and (ii) a $1.7 million loss on extinguishment of debt related to the extinguishment which occurred upon and replacement of subordinated notes in February 2017 (see Note 8). Interest expense decreased $0.9 million, to $1.6 million in 2017, as virtually all debt was paid in full in July 2017. Change in fair value of derivative liabilities decreased $1.0 million between years and as of December 31, 2017, there are no derivative liabilities remaining. Other income (expense) in 2016 included a $1.6 million gain on resolution of Irgovel purchase litigation.

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Liquidity, Going Concern and Capital Resources

See Note 1 of our Notes to Consolidated Financial Statements for a discussion of liquidity.

Cash used in operating activities of continuing operations is presented below (in thousands).

	Years Ended December 31 2017	2016
Cash flow from operating activities of continuing operations:		
Loss from continuing operations	$ (10,185)	$ (6,130)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	757	936
Stock and share-based compensation	1,073	1,275
Change in fair value of derivative warrant and conversion liabilities	(670)	(1,625)
Loss on extinguishment of debt	8,290	-
Gain on resolution of Irgovel purchase litigation	-	(1,598)
Interest accreted	1,000	639
Deferred taxes	(5,046)	(1,869)
Other	32	5
Changes in operating assets and liabilities:		
Accounts receivable	(179)	(227)
Inventories	279	808
Accounts payable and accrued expenses	(679)	(201)
Other	303	(467)
Net cash used in operating activities of continuing operations	$ (5,025)	$ (8,454)

We used $5.0 million in operating cash during 2017, compared to $8.5 million of operating cash in 2016. We funded the use of cash with available cash on hand derived from the sale of the assets of HN for $16.7 million in cash, net of assumed liabilities. The net proceeds from the HN divestiture were used in part to pay in full amounts of senior debentures ($6.6 million) and to pay principal and accrued interest on our subordinated notes ($6.0 million). (see Note 4 of our Notes to Consolidated Financial Statements for additional information about the divestiture.)

We received net proceeds of $7.2 million from the sale and issuance of preferred stock, senior debentures and related warrants from the February 2017 transactions. The net proceeds were used in part to pay in full amounts owing our previous senior lender ($3.8 million) and to pay principal and accrued interest on our subordinated notes ($0.5 million). In September 2017, we received net proceeds of $2.8 million from the sale and issuance of common stock. See Note 9 of our Notes to Consolidated Financial Statements for additional information.

As of December 31, 2017, our cash and cash equivalents balance was $6.2 million and our restricted cash balance was $0.8 million (see Note 2), compared to $0.3 million as of December 31, 2016.

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 Estimates

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.

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.

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Inventories - Inventories are stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out method. 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. 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.

Property and Equipment – Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. Gains or losses on the sale of property and equipment are reflected in net income (loss)

We review our long-lived assets 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. 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. 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 are net of provisions for estimated returns, routine sales discounts, volume allowances and adjustments. Revenues 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.

Recent Accounting Guidance - See Note 3 of our Notes to Consolidated Financial Statements for a discussion of the impact of recent accounting guidance, including the new standard on revenue recognition, effective January 1, 2018.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of RiceBran Technologies:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of RiceBran Technologies (the “Company”) as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, changes in equity (deficit) and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP
We have served as the Company's auditor since 2014.
Marcum LLP
New York, NY
March 15, 2018

Index
RiceBran Technologies
Consolidated Balance Sheets
December 31, 2017 and 2016
(in thousands, except share amounts)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$6,203	$342
Restricted cash	775	-
Accounts receivable, net of allowance for doubtful accounts of $8 and $12	1,273	1,094
Inventories		
Finished goods	564	795
Packaging	114	138
Deposits and other current assets	519	824
Current assets held for sale	-	4,335
Total current assets	9,448	7,528
Property and equipment, net	7,850	7,025
Other long-term assets, net	63	242
Noncurrent assets held for sale	-	14,050
Total assets	$17,361	$28,845
LIABILITIES, TEMPORARY EQUITY AND EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$765	$714
Accrued salary, wages and benefits	773	496
Accrued expenses	741	904
Unearned revenue	75	384
Escrow liability	258	-
Current maturities of long-term debt	4	3,063
Current liabilities held for sale	-	15,801
Total current liabilities	2,616	21,362
Long-term debt, less current portion	12	5,964
Derivative warrant liabilities	-	1,527
Noncurrent liabilities held for sale	-	73
Total liabilities	2,628	28,926
Commitments and contingencies		
Temporary equity		
Preferred stock, Series F, convertible, 20,000,000 shares authorized, 3,000 shares issued and outstanding	-	551
Total temporary equity	-	551
Equity (deficit):		
Equity (deficit) attributable to RiceBran Technologies shareholders:		
Preferred stock, 20,000,000 shares authorized:		
Series F, convertible, 3,000 shares authorized, no shares issued and outstanding	-	-
Series G, convertible, 3,000 shares authorized, 630 shares issued and outstanding	313	-
Common stock, no par value, 50,000,000 shares authorized, 18,046,731 and 10,790,351 shares issued and outstanding	279,548	264,232
Accumulated deficit	(265,128)	(259,819)
Accumulated deficit attributable to noncontrolling interest in discontinued operations	-	(699)

Accumulated other comprehensive loss	-	(4,346)
Total equity (deficit) attributable to RiceBran Technologies shareholders	14,733	(632)
Total liabilities, temporary equity and equity (deficit)	$17,361	$28,845

See Notes to Consolidated Financial Statements

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RiceBran Technologies
Consolidated Statements of Operations
Years Ended December 31, 2017 and 2016
(in thousands, except share and per share amounts)

	2017	2016
Revenues	$13,355	$12,982
Cost of goods sold	9,564	9,855
Gross profit	3,791	3,127
Selling, general and administrative expenses	9,888	12,384
Loss from continuing operations before other income (expense)	(6,097)	(9,257)
Other income (expense):		
Interest expense	(1,623)	(2,483)
Change in fair value of derivative warrant liabilities	670	1,625
Loss on extinguishment of debt	(8,290)	-
Gain on resolution of Irgovel purchase litigation	-	1,598
Other income	307	563
Other expense	(182)	-
Total other income (expense)	(9,118)	1,303
Loss from continuing operations before income taxes	(15,215)	(7,954)
Income tax benefit	5,030	1,824
Loss from continuing operations	(10,185)	(6,130)
Income (loss) from discontinued operations, net of tax	3,983	(5,120)
Net loss	(6,202)	(11,250)
Less - Net loss attributable to noncontrolling interest in discontinued operations	(1,671)	(2,720)
Net loss attributable to RiceBran Technologies shareholders	(4,531)	(8,530)
Less - Dividends on preferred stock, beneficial conversion feature	778	551
Net loss attributable to RiceBran Technologies common shareholders	$(5,309)	$(9,081)
Basic earnings (loss) per common share:		
Continuing operations	$(0.92)	$(0.72)
Discontinued operations	0.47	(0.25)
Basic loss per common share - RiceBran Technologies	$(0.45)	$(0.97)
Diluted earnings (loss) per common share:		
Continuing operations	$(0.92)	$(0.72)
Discontinued operations	0.47	(0.25)
Diluted loss per common share - RiceBran Technologies	$(0.45)	$(0.97)
Weighted average number of shares outstanding:		
Basic	11,923,923	9,338,370
Diluted	11,923,923	9,338,370

See Notes to Consolidated Financial Statements

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RiceBran Technologies
Consolidated Statements of Comprehensive Loss
Years ended December 31, 2017 and 2016
(in thousands)

	2017	2016
Net loss	$(6,202)	$(11,250)
Other comprehensive income - foreign currency translation, net of tax	184	775
Comprehensive loss, net of tax	(6,018)	(10,475)
Less - Comprehensive loss attributable to noncontrolling interest, net of tax	(1,614)	(2,488)
Total comprehensive loss attributable to RiceBran Technologies shareholders	$(4,404)	$(7,987)

See Notes to Consolidated Financial Statements

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RiceBran Technologies
Consolidated Statements of Changes in Equity (Deficit)
Years Ended December 31, 2017 and 2016
(in thousands, except share amounts)

	Shares Preferred Series F	Series G	Common	Preferred Stock	Common Stock	Accumulated Deficit	Accumulated Deficit Attributable to Noncontrolling Interest in Discontinued Operations	Accumulated Other Comprehensive Loss	Equity (Deficit)
Balance, December 31, 2015	-	-	9,537,415	$ -	$ 262,895	$ (250,738)	$ -	$ (4,889)	$ 7,268
Common stock awards under equity incentive plans	-	-	174,825	-	1,011	-	-	-	1,011
Issuance of preferred stock and warrants	-	-	-	-	(447)				(447)
Dividend on preferred stock--beneficial conversion feature	-	-	-	-	551	(551)	-	-	-
Issuance of common stock to supplier	-	-	950,000	-	-				-
Other	-	-	128,111	-	222	-	(20)	-	202
Change in classification of redeemable noncontrolling interest from temporary equity	-	-	-	-	-	-	69	-	69
Proceeds from sale of membership interests	-	-	-	-	-	-	1,740	-	1,740
Foreign currency translation	-	-	-	-	-	-	232	543	775
Net loss	-	-	-	-	-	(8,530)	(2,720)	-	(11,250)
Balance, December 31, 2016	-	-	10,790,351	-	264,232	(259,819)	(699)	(4,346)	(632)

Common stock awards under equity incentive plans	-	-	642,839	-	947	-	-	-	947
Dividend on preferred stock - beneficial conversion feature	-	-	-	-	778	(778)	-	-	-
Modification of senior debenture holder warrants	-	-	-	-	582	-	-	-	582
Modification of subordinated note holder warrants	-	-	-	-	117	-	-	-	117
Reclassification of preferred stock to equity from temporary equity	3,000	2,000	-	1,545	-	-	-	-	1,545
Change in classification of warrants to equity from liability	-	-	-	-	7,980	-	-	-	7,980
Conversion of preferred stock into common stock	(3,000)	(1,370)	3,300,118	(1,232)	1,232	-	-	-	-
Proceeds from sale of common stock, net of costs	-	-	2,654,732	-	2,730	-	-	-	2,730
Exercise of warrants	-	-	614,610	-	848	-	-	-	848
Other	-	-	44,081	-	102	-	-	-	102
Proceeds from sale of membership interests	-	-	-	-	-	-	650	-	650
Foreign currency translation	-	-	-	-	-	-	56	128	184
Nutra SA divestiture	-	-	-	-	-	-	1,664	4,218	5,882
Net loss	-	-	-	-	-	(4,531)	(1,671)	-	(6,202)
Balance, December 31, 2017	-	630	18,046,731	$313	$279,548	$(265,128)	$-	$-	$14,733

See Notes to Consolidated Financial Statements

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RiceBran Technologies
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016
(in thousands)

	2017	2016
Cash flow from operating activities:		
Net loss	$(6,202)	$(11,250)
Income (loss) from discontinued operations	3,983	(5,120)
Loss from continuing operations	(10,185)	(6,130)
Adjustments to reconcile net loss from continuing operation to net cash used in operating activities of continuing operations:		
Depreciation and amortization	757	936
Stock and share-based compensation	1,073	1,275
Change in fair value of derivative warrant and conversion liabilities	(670)	(1,625)
Loss on extinguishment of debt	8,290	-
Gain on resolution of Irgovel purchase litigation	-	(1,598)
Interest accreted	1,000	639
Deferred taxes	(5,046)	(1,869)
Other	32	5
Changes in operating assets and liabilities:		
Accounts receivable	(179)	(227)
Inventories	279	808
Accounts payable and accrued expenses	(679)	(201)
Other	303	(467)
Net cash used in operating activities of continuing operations	(5,025)	(8,454)
Net cash provided by operating activities of discontinued operations	1,251	4,519
Net cash used in operating activities	(3,774)	(3,935)
Cash flows from investing activities:		
Purchases of property and equipment	(862)	(360)
Net cash used in investing activities of continuing operations	(862)	(360)
Net cash provided by (used in) investing activities of discontinued operations	16,001	(356)
Net cash provided by (used in) investing activities	15,139	(716)
Cash flows from financing activities:		
Payments of debt	(19,744)	(32,344)
Proceeds from issuance of debt, net of issuance costs	3,779	30,629
Proceeds from issuance of debt and warrants, net of issuance costs	5,518	300
Proceeds from issuance of preferred stock and warrants, net of issuance costs	1,747	2,554
Proceeds from issuance of common stock, net of issuance costs	2,778	-
Other	(23)	(43)
Net cash provided by (used in) provided by financing activities of continuing operations	(5,945)	1,096
Net cash provided by financing activities of discontinued operations	1,062	907
Net cash provided by (used in) financing activities	(4,883)	2,003
Effect of exchange rate changes on cash and cash equivalents of discontinued operations	154	103
Net change in cash and cash equivalents and restricted cash	$6,636	$(2,545)
Cash and cash equivalents and restricted cash, beginning of period		
Cash and cash equivalents	$342	$966
Restricted cash	-	1,921
Cash and cash equivalents and restricted cash, beginning of period	342	2,887

Cash and cash equivalents and restricted cash, end of period		
Cash and cash equivalents	6,203	342
Restricted cash	775	-
Cash and cash equivalents and restricted cash, end of period	6,978	342
Net change in cash and cash equivalents and restricted cash	$6,636	$(2,545)
Supplemental disclosures, continuing operations:		
Cash paid for interest of continuing operations	$811	$1,849
Cash paid for income taxes of continuing operations	$-	$20

See Notes to Consolidated Financial Statements

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RiceBran Technologies
Notes to Consolidated Financial Statements

NOTE 1. LIQUIDITY AND MANAGEMENT'S PLAN

We had reported previously there was substantial doubt about our ability to continue as a going concern. During the fourth quarter of 2017 we substantially completed operational and financial actions, which we believe provides us with sufficient liquidity for the twelve months following the date of this filing. The factors that alleviated the doubt are summarized below:

- Cash and cash equivalents and restricted cash increased $6.3 million, from $0.3 million as of December 31, 2016, to $7.0 million as of December 31, 2017.
- Operating loss decreased $3.2 million, from $9.3 million in 2016, to $6.1 million in 2017. We can make additional discretionary reductions in operating expenses if necessary.
- Our $7.0 million cash position at December 31, 2017 exceeds our $5.0 million negative cash flow from operating activities of continuing operations. We believe our cash flows from operating activities will improve in 2018 because:
  - We enter 2018 with less than $0.1 million in debt outstanding. Our interest payments are significantly reduced to near zero compared to $0.8 million in 2017 and $1.8 million in 2016.
  - We enter 2018 having divested of our Healthy Natural (HN) and Nutra SA, LLC (Nutra SA) subsidiaries and refocused on our continuing operations. Nutra SA had been a significant drain on resources.
  - In 2017, we completed certain operating cost reduction initiatives. In the fourth quarter of 2017 the operating expenses were $2.4 million versus $3.0 million in the 2016 period. We benefited from those cost reduction initiatives for only a portion of 2017 but expect to fully realize the benefit of these reductions beginning in 2018.
  - We have plans in place to reduce our cost of goods sold and provide additional rice bran supply security.
- During 2017, we demonstrated an ability to obtain funds through debt and equity financings at reasonable rates, as discussed further in Note 9. We continue to 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.

NOTE 2 BUSINESS

We are an ingredient company serving food, animal nutrition and specialty markets 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. 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), 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, food and animal nutrition manufacturers, wholesalers and retailers, both domestically and internationally.

We manufacture and distribute SRB, for food and animal nutrition customers, in various granulations along with Stage II products and derivatives. Stage II refers to the proprietary, patented processes run at our Dillon, Montana facility and includes products produced at that facility. Over the past decade, we have developed and optimized our proprietary processes to support the production of healthy, natural, hypoallergenic, gluten free, and non-genetically modified ingredients and supplements for use in meats, baked goods, cereals, coatings, health foods and high-end animal nutrition.

We produce 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 company-owned rice bran stabilization facility in

Mermentau, Louisiana. At our Dillon, Montana facility, we produce 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 SRB, and our ProRyza family of products including, protein- and protein/fiber-based products. We operate proprietary processing equipment and process-patented technology for the stabilization and further processing of rice bran into finished products.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of 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 United States (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. All significant inter-company balances are eliminated in consolidation. Variable interest in subsidiaries for which we are the primary beneficiary are consolidated. Noncontrolling interests in our subsidiaries are recorded net of tax as net earnings (loss) attributable to noncontrolling interests.

Use of Estimates – The preparation of financial statements in conformity with GAAP 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.

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. In all periods presented, we maintained our 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 – In our continuing operations, inventories are stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out method and 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. 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.

Property and Equipment – Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. Gains or losses on the sale of property and equipment are reflected in net income (loss).

We review our long-lived assets 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. 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 – In our continuing operations, we recognize revenue for product sales when title and risk of loss pass to our customers, generally upon shipment. 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 are net of provisions for estimated returns, routine sales discounts, volume allowances and adjustments. Revenues are also net of taxes collected from customers and remitted to governmental authorities.

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

Selling, General and Administrative Expenses – Selling, general and administrative expenses include salaries and wages, bonuses and incentives, share-based compensation expense, employee-related expenses, facility-related expenses, marketing and advertising expense, depreciation of non-operating property and equipment, professional fees, amortization of intangible assets, provisions for losses on accounts receivable and other operating expenses.

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.

Share-Based Compensation – Share-based compensation expense for stock options granted to 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. We recognize forfeitures as they occur. Prior to 2017, forfeitures were 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. 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.