SOUTHWESTERN ENERGY CO
Form 8-K
January 24, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): January 24, 2005

SOUTHWESTERN ENERGY COMPANY

(Exact name of registrant as specified in its charter)

Arkansas

(State or other jurisdiction of incorporation)

1-8246	**71-0205415**
(Commission File Number)	**(IRS Employer Identification No.)**

2350 N. Sam Houston Pkwy. E., Suite 300,

Houston, Texas	**77032**
(Address of principal executive offices)	**(Zip Code)**

(281) 618-4700

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

The information in this report, including Exhibit 99.1 attached hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, and shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

SECTION 7. REGULATION FD.

Item 7.01 Regulation FD Disclosure.

On January 24, 2005, Harold M. Korell, President and Chief Executive Officer for Southwestern Energy Company, made a presentation to investors. The presentation noted the recent changes to the company's production guidance, capital expenditures for 2004, operational statistics by operating area, and provided a recent operational update to its Fayetteville Shale play in Arkansas. The investor presentation materials are attached as Exhibit 99.1 hereto. The presentation also includes cautionary statements identifying forward-looking information and the important factors that could cause actual results to differ materially from those described.

Exhibits. The following exhibit is being furnished as part of this Report.

Exhibit Number	Description
99.1	Transcript of presentation accompanying the January 24, 2005 presentation to investors.

SIGNATURES

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

	SOUTHWESTERN ENERGY COMPANY	
Dated: January 24, 2005	By:	/s/ GREG D. KERLEY
	Name:	Greg D. Kerley
	Title:	Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Transcript of presentation accompanying the January 24, 2005 presentation to investors.

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Share-based consultant compensation - options
- 164 - - - 164
Share-based compensation for vendor services
282,500 70 - - - 70
Foreign currency translation
- - - (2,324) - (2,324)
Contributions
- - - - 32 32
Net loss
- - (32,095) - (108) (32,203)
Balance, December 31, 2009
192,967,680 205,291 (169,144) (467) (156) 35,524
Share-based employee and director compensation - options
- 1,632 - - - 1,632
Share-based consultant compensation options
- 37 - - - 37
Share-based compensation for vendor services
2,391,429 472 - - - 472
Foreign currency translation
- - - 393 - 393
Net loss
- - (15,668) - - (15,668)
Balance, December 31, 2010
195,359,109 $207,432 $(184,812) $(74) $(156) $22,390

See Notes to Consolidated Financial Statements

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NutraCea
Consolidated Statements of Cash Flows
Years Ended December 31, 2010 and 2009
(in thousands)

	2010	2009
Cash flow from operating activities:		
Net loss	$(15,668)	$(32,203)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,774	6,955
Provision for doubtful accounts receivable and notes receivable	153	125
Impairment of property, plant and equipment	1,900	8,845
Loss on disposal of trademarks, property, plant and equipment	943	202
Share-based compensation	2,141	644
Warrant liability expense (income)	349	(2,634)
Deferred tax benefit	(935)	(474)
Impairment of trademarks	-	1,594
Reorganization expenses	1,033	3,425
Foreign exchange loss	-	57
Loss on equity method investments	42	218
Share-based interest expense	-	861
Changes in operating assets and liabilities:		
Accounts receivable	(63)	(65)
Inventories	334	1,024
Other current assets	173	998
Accounts payable and accrued expenses	(1,682)	1,728
Net cash used in operating activities, before reorganization items	(6,506)	(8,700)
Reorganization items:		
Reorganization expenses	(1,033)	(3,425)
Loss on disposal of property, plant and equipment	-	3,016
Impairment of property plant and equipment	-	229
Change in accounts payable for reorganization items	198	101
Net cash used for reorganization items	(835)	(79)
Net cash used in operating activities	(7,341)	(8,779)
Cash flows from investing activities:		
Proceeds from payments on notes receivable	1,200	823
Purchases of property and equipment	(772)	(1,768)
Proceeds from sale of trademarks, property, plant and equipment	8,872	308
Distributions received from equity method investment	-	950
Proceeds from sale of equity method investment	-	1,675
Restricted cash	-	3,281
Other	(26)	-
Net cash provided by investing activities	9,274	5,269
Cash flows from financing activities:		
Payments on redemption of convertible, preferred stock	-	(556)
Proceeds from noncontrolling interest	-	32

Payments of debt	(5,716)	-
Principal proceeds from debt	3,399	37
Net cash used in financing activities	(2,317)	(487)
Effect of exchange rate changes on cash and cash equivalents	(31)	82
Net decrease in cash and cash equivalents	(415)	(3,915)
Cash and cash equivalents, beginning of year	952	4,867
Cash and cash equivalents, end of year	$537	$952
Supplemental disclosures:		
Cash paid for interest	$990	$845
Cash paid for income taxes	6	-

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NutraCea
Notes to Consolidate Financial Statements

NOTE 1. CHAPTER 11 REORGANIZATION, LIQUIDITY AND MANAGEMENT'S PLANS

Chapter 11 Reorganization

On November 10, 2009, NutraCea (the Parent Company) filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (Bankruptcy Code) in the United States Bankruptcy Court for the District of Arizona (the Bankruptcy Court), in the proceeding entitled In re: NutraCea, Case No. 2:09-bk-28817-CGC (the Chapter 11 Reorganization). None of the Parent Company's subsidiaries, including its Brazilian rice bran oil operation, were included in the bankruptcy filing. The Parent Company continued to manage its assets and operate its business as "debtor-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. Under the Bankruptcy Code, certain claims against the Parent Company in existence prior to the filing of the bankruptcy petition were stayed during the pendency of the Chapter 11 Reorganization. Additional claims arose subsequent to the filing date from the Parent Company's business operations, its secured borrowing from Wells Fargo Bank, N.A. (Wells Fargo), its employment of professionals, its disposition of certain non-core assets (as described below) and its treatment of certain executory contracts. The claim of Wells Fargo, the primary secured creditor of the Parent Company, was secured by perfected liens against the Parent Company's real and personal property, including, without limitation, its plant and equipment, trade receivables and inventory.

On August 10, 2010, the Parent Company and the Official Unsecured Creditors Committee filed with the Bankruptcy Court an amended plan of reorganization (Amended Plan) in accordance with the Bankruptcy Code. The Amended Plan called for the payment in full of all allowed claims. Creditors voted overwhelmingly in favor of the Amended Plan and, on October 27, 2010, the Bankruptcy Court entered its order confirming the Amended Plan. The confirmation order became final on November 10, 2010, and the Amended Plan became effective on November 30, 2010.

In connection with the Chapter 11 Reorganization, we entered into a Senior Secured Super-Priority Debtor-In-Possession Credit and Security Agreement (DIP Credit Agreement), successor loan to the Wells Fargo secured borrowing, which was paid in full as of December 31, 2010 (see Note 13).

The liabilities subject to compromise existing at December 31, 2009, became the Parent Company's payment obligations under the Amended Plan of approximately $7.0 million when the Amended Plan became effective. As of December 31, 2010, the portion of these obligations remaining unpaid is reflected as pre-petition liabilities in our consolidated balance sheets. During 2010, $0.6 million of these obligations were paid with proceeds from the sale of the Phoenix, Arizona building (see Note 9). Interest accrued on the allowed liabilities subject to compromise from November 2009 through November 2010, at an annual rate of 0.38%. Interest accrues on the unpaid prepetition liabilities at an annual rate of 8.25% beginning in December 2010.

The Parent Company intends to discharge the obligation to pay these pre-petition liabilities by selling non-core assets, possible equity financing transactions, collecting outstanding receivables, and borrowing on a secured basis. To secure a portion of these payment obligations, unsecured creditors were granted a lien in all of the Parent Company's assets. The lien is administered and may be enforced by a plan agent, who was jointly selected by the Parent Company and the Official Unsecured Creditors Committee. The plan agent may, among other things, sell specified assets if the payment benchmarks set forth in the Amended Plan are not met.

Under the Amended Plan, if we fail to meet certain benchmarks for payment to our general unsecured creditors as described in the Amended Plan, the plan agent may direct and control the sale of pledged assets as follows:

Benchmark Date	Required Cumulative Payment	Pledged Assets Subject to Sale by Plan Agent, if Benchmark Not Met	Net Proceeds Plan Agent Retains for the General Unsecured Creditors
July 15, 2011	50%	Dillon, Montana facility and all loose equipment,	75% of proceeds from the sale of the facility and up to 100% of the proceeds from the sale of loose equipment
October 15, 2011	75%	Dillon, Montana facility and all loose equipment	75% of proceeds from the sale of the facility and up to 100% of the proceeds from the sale of loose equipment
January 15, 2012	100%	Lake Charles, Louisiana facility and any remaining pledged assets	Up to 100% of net proceeds from the sale

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Since we will not be able to control the sale of the above assets if we do not meet the payment benchmarks, we cannot guarantee that the assets will be sold at a value satisfactory to us. As of March 31, 2011, we have made distributions to the general unsecured creditors totaling $3.1 million, or approximately 44% of the amount owed, plus accrued interest.

Under the Amended Plan, the following must be paid to the general unsecured creditors, if and when received:

- 75% of the net proceeds from the sale of the Dillon, Montana facility;
- the greater of (i) $2.2 million or (ii) 40% of the first $5.0 million in net proceeds we receive from the monetization of our interest in Nutra SA, LLC (Nutra SA) plus 50% of any net proceeds over $5.0 million (See Note 5);
- 50% of the net proceeds from the sale of our interest in Rice Science, LLC or Rice Rx LLC (See Note 11);
- 100% of the net proceeds from the sale of any loose (uninstalled) equipment;
- 75% of any prepayments received on the note receivable from Ceautamed Worldwide, LLC (Ceautamed), if any, and all receipts on the note beginning April 1, 2011 (see Note 9);
- 75% of the net proceeds from the sale or monetization of the Lake Charles, Louisiana improvements or Mermentau, Louisiana facility, after payment of professional fees (see Note 9);
- 75% of the net proceeds from the sale or monetization of any other pledged assets;
- 100% of any recoveries from avoidance actions or actions against former officers and directors.

Liquidity and Management's Plans

The Parent Company and its wholly and majority owned subsidiaries (the Company, "we" or "our") have experienced recurring losses and negative cash flows from operations. Due to defaults under our credit agreement with Wells Fargo our credit lines were reduced to approximately $3.5 million as of July 2009, which was the level of the current outstanding loans and obligations at that time. We also entered into a forbearance agreement with Wells Fargo pursuant to which Wells Fargo agreed to forebear from exercising its rights and remedies with respect to the existing defaults. We were behind on our payments to vendors and had defaulted on several agreements due to non-payment resulting in declaring bankruptcy as described above. Although we emerged from bankruptcy in November 2010, we have not yet demonstrated the ability to generate sufficient cash flows from operations to meet our working capital needs. These factors raise substantial doubt about our ability to continue as a going concern.

We have taken steps to improve profitability and liquidity by reducing our U.S. based employee headcount at both the corporate and plant operations level. The reductions in force that occurred at various times throughout 2009 resulted in annualized savings of approximately $2.4 million (unaudited). In January 2010, an additional corporate reduction in force was enacted resulting in annualized savings of $0.8 million (unaudited). Effective January 1, 2010, we moved our corporate headquarters to less expensive office space resulting in yearly rent savings of approximately $1.2 million (unaudited). The combined effect of the cost cutting efforts total $4.4 million (unaudited).

In the ongoing effort to improve profitability, significant emphasis will be placed on growing sales. The growth of revenues is expected to include the following:

- growing sales in existing markets, including bulk Stabilized Rice Bran (SRB) and rice bran oil;
- aligning with strategic partners who can provide channels for additional sales of our products including rice bran oil extraction;
- price increases; and
- growing consumer retail product sales.

In the past we have turned to the equity markets for additional liquidity. This was not a source of funds during 2010 and 2009 due to our financial position, the state of the equity markets and the bankruptcy filing. However, exiting bankruptcy on November 30, 2010, combined with improving financial performance and equity market conditions, may allow us to raise equity funds in the future. We intend to provide the necessary cash to continue operations through the monetization of certain assets, growth of sales, and possible equity financing transactions. Asset monetizations may include some or all of the following:

- sale or a sale-lease back of certain facilities;
- sale of a noncontrolling interest in one or more subsidiaries; or
- sale of surplus equipment.

Some of these sales could result in additional non-cash write downs of asset values. Although management believes that they will be able to obtain the funds necessary to continue as a going concern there can be no assurances that our efforts will prove successful. Even if we are able to obtain required funds as described above, the terms of such transactions may not be favorable to us. The accompanying consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

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NOTE 2. GENERAL BUSINESS

We are a food ingredient and health company focused on the procurement, processing and refinement of rice bran and derivative products. We have proprietary intellectual property that allows us to process and convert rice bran, one of the world's most underutilized food resources, into a highly nutritious ingredient, stabilized rice bran that has applications in various food products. Our target markets are food manufacturers, nutraceuticals and animal nutrition. It is also used as a stand-alone product that can be sold through non-related entities with distribution into the market place, both domestically and internationally. These products include food supplements and nutraceuticals which provide health benefits for humans and animals based on SRB and SRB derivatives. We believe that SRB products can deliver beneficial physiological effects. We are continuing to pursue ongoing clinical trials and third party analyses in order to further support the uses for and effectiveness of our products. In addition, NutraCea has developed a bio-refining approach to processing stabilized rice bran into various value added constituents such as rice bran oil (RBO), defatted rice bran (DRB) and a variety of other valuable derivatives of rice bran.

We have three reportable business segments: (1) Corporate; (2) Stabilized Rice Bran, which manufactures and distributes SRB in various granulations along with products derived from bran via patented enzyme treatment processes including a fat and protein rich water soluble fraction and a fiber rich insoluble fraction; and (3) Bio-Refining, which separates rice bran into crude rice bran oil and defatted rice bran which are then further processed into a number of valuable food and feed products. Bio-Refining operations consisted of our operation in Brazil in 2010 and 2009. The Corporate segment includes selling, general and administrative expenses, litigation settlements, and other expenses not directly attributable to other segments. No corporate allocations are made to the other segments. Interest is not allocated.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of NutraCea (the Parent Company) 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.

Foreign Currencies - The consolidated financial statements are presented in our reporting currency, U.S. Dollars. The functional currency for our subsidiary, Industria Riograndens De Oleos Vegetais Ltda. (Irgovel), is the Brazilian Real. Accordingly, the balance sheet of Irgovel is translated into U.S. Dollars using the exchange rate in effect at the balance sheet date. Revenues and expenses are translated using the average exchange rates in effect during the period. Translation differences are recorded in accumulated other comprehensive income (loss) as foreign currency translation. Gains or losses on transactions denominated in a currency other than the subsidiaries' functional currency which arise as a result of changes in foreign exchange rates are recorded as foreign exchange gain or loss in the statements of operations.

Cash and Cash Equivalents – We consider all highly liquid investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents. As of December 31, 2010, we maintain our cash, including restricted cash, and cash equivalents, with a major bank. We maintain cash in bank accounts, 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 our provision for doubtful accounts. We continue to evaluate our credit policy to ensure that the customers are worthy of terms and support our business plans.

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

Equity Method Investments - Investments in business entities in which we have the ability to exert significant influence over operating and financial policies (generally 20% to 50% ownership) are unconsolidated entities and are accounted for using the equity method. Under the equity method, investments are initially recorded at cost and are adjusted for dividends, distributed and undistributed earnings and losses, changes in foreign exchange rates, and additional investments. Equity method investments are periodically reviewed for other-than-temporary declines in fair value below carrying value.

Long-Lived Assets, Intangible Assets and Goodwill – Long-lived assets, consisting primarily of property, plant and equipment, intangible assets, and goodwill, comprise a significant portion of our total assets. Property, plant and equipment are stated at cost less accumulated depreciation. Intangible assets are stated at cost less accumulated amortization.

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The carrying values of property, plant and equipment and intangible assets with finite lives are evaluated periodically in relation to the expected future cash flows of the underlying assets and monitored for other potential triggering events that might indicate impairment. Adjustments are made in the event that estimated undiscounted net cash flows estimated to be derived from the asset are less than the carrying value of the related asset. The cash flow projections are based on historical experience, management's view of growth rates within the industry, and the anticipated future economic environment.

We are required to test goodwill for impairment at least annually (by policy December 31) and more often if an event occurs or circumstances change that more likely than not reduce the fair value of a reporting unit below its carrying value. In assessing the recoverability of goodwill, we make estimates and assumptions about sales, operating margin, terminal growth rates and discount rates based on our budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management's judgment in applying these factors. The fair value of a reporting unit has been determined using an income approach based on the present value of the future cash flows of each reporting unit. The goodwill impairment test compares the fair value of individual reporting units to the carrying value of these reporting units. If fair value is less than carrying value then goodwill impairment may be present. The market value of our common stock is an indicator of fair value and a consideration in determining the fair value of our reporting units.

Revenue Recognition – We recognize revenue for product sales when title and risk of loss pass to our customers, generally upon shipment for domestic customers and upon customer receipt for international customers and when provisions for estimates, including discounts, and price adjustments are reasonably determinable. Revenues on the statements of operations are net of provisions for routine sales discounts, volume allowances, and adjustments. Deposits are deferred until either the product has been shipped or conditions relating to the sale have been substantially performed.

Revenue from direct customers is recognized when shipment of goods occur. 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. We generally do not allow right of return. 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 sell certain products such as infant cereal through a network of resellers and distributors. Revenue is recognized from these customers upon shipment of products. Each transaction is evaluated to determine if all of the following criteria have been 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 collectability is not reasonably assured, then revenue is recognized on a cash basis. We generally do not allow right of return.

Occasionally, we will grant exclusive use of our labels by customers in specific territories in exchange for a nonrefundable fee. Each label licensing provision is considered to be a separate unit of accounting. Revenue from such transactions is recognized over the licensing period.

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.

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

Share-Based Compensation – Share-based compensation expense for employees is calculated at the grant date using the Black-Scholes-Merton valuation model based on awards ultimately expected to vest, reduced for estimated forfeitures, and expensed on a straight-line basis over the requisite service period of the grant. Forfeitures are estimated at the time of grant based on our historical forfeiture experience and will be revised in subsequent periods if actual forfeitures differ from those estimates. The Black-Scholes-Merton option pricing model requires us to estimate key assumptions such as expected life, volatility, risk-free interest rates and dividend yield to determine the fair value of share-based awards, based on both historical information and management’s judgment regarding market factors and trends.

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

We early adopted guidance which allows us to treat options granted to employees of foreign subsidiaries as equity options.

We will use alternative valuation models if grants have characteristics that cannot be reasonably estimated using the Black-Scholes-Merton model.

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

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

Fair Value of Financial Instruments – Our financial instruments include cash and cash equivalents, accounts and other receivables, the current portion of debt and accounts payable, the fair value of which approximates their carrying value due to their shorter maturities. The fair value of the long-term portion of debt approximates its carrying value based on interest rates of debt with similar maturities.

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

Reclassifications – Certain reclassifications have been made to prior period amounts to conform to classifications adopted in the current year.

Recent Accounting Pronouncements

The accounting pronouncements discussed below includes only those that are applicable and could potentially have a material impact on our consolidated financial statements.

Effective January 1, 2009, we adopted the provisions of FASB ASC 815, “Derivatives and Hedging” (FASB ASC 815) (previously EITF 07-5, “Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity’s Own Stock”) See Note 16 for information on the impact of adoption of these provisions.

In June 2009, the FASB revised variable interest reporting guidance. The revised guidance requires an enterprise to perform a qualitative analysis to determine whether the enterprise’s variable interest(s) give it a controlling financial interest in a variable interest entity and requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. We adopted this guidance effective January 1, 2010, and there was no material impact on the consolidated financial statements.

The FASB has issued guidance clarifying the criteria for separating revenue between multiple deliverables. This guidance applies to new revenue arrangements or arrangements materially modified in periods subsequent to adoption. We are required to adopt this standard effective January 1, 2011. Adoption of the standard is not expected to have a significant impact on our consolidated financial statements

NOTE 4. LOSS PER SHARE (EPS)

Basic EPS is computed by dividing net loss attributable to NutraCea shareholders by the weighted average number of common shares outstanding during all periods presented. Options, warrants and shares available upon conversion of preferred stock are excluded from the basic EPS calculation and are considered in calculating the diluted EPS.

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Diluted EPS is computed by dividing net loss attributable to NutraCea shareholders by the weighted average number of shares outstanding during the period increased by the number of additional shares that would have been outstanding if the impact of assumed exercises or conversions is dilutive. The dilutive effect of outstanding options and warrants is calculated using the treasury stock method. The dilutive effect of outstanding convertible preferred stock is calculated using the "if converted" method.

Reconciliations of the numerators and denominators in the EPS computations follow:

	2010	2009
NUMERATOR (in thousands):		
Basic and diluted - net loss attributable to NutraCea shareholders	$ (15,668)	$ (32,095)
DENOMINATOR:		
Basic EPS - weighted average number of shares outstanding	193,195,640	183,552,999
Effect of dilutive securities outstanding	-	-
Diluted EPS - weighted average number of shares outstanding	193,195,640	183,552,999
Number of shares of common stock which could be purchased with weighted average outstanding securities not included in diluted EPS because effect would be antidilutive-		
Stock options (average exercise price of $0.37 and $0.67)	30,167,026	24,868,747
Warrants (average exercise price of $1.27 and $1.32)	39,109,645	39,809,455

The impacts of certain options and warrants outstanding at December 31, 2010, were not included in the calculation of diluted EPS in 2010 and 2009, because to do so would be antidilutive. Those securities which were antidilutive in 2010 and 2009, could potentially dilute EPS in the future.

NOTE 5. IRGOVEL AND NUTRA SA MEMBERSHIP INTEREST PURCHASE AGREEMENT

In December 2010, we entered into a membership interest purchase agreement with AF Bran Holdings-NL LLC and AF Bran Holdings LLC (the Investors). The transaction closed in January 2011. The Investors agreed to purchase units in Nutra SA for an aggregate purchase price of $7.7 million. Prior to the transaction, Nutra SA was our wholly owned subsidiary. Nutra SA owns 100% of Irgovel. Initially after the close, effective in January 2011, we own a 64.4% interest in Nutra SA, and the Investors own a 35.6% interest in Nutra SA. The Parent Company received $4.0 million of the proceeds. The remaining amount of $3.7 million, less $0.5 million retained by Nutra SA for administrative expenses, was invested in Irgovel for capital improvements and working capital needs.

The Parent Company agreed to use $2.2 million of the funds received from the January 2011 transaction closing to repay amounts owed to the general unsecured creditors in accordance with the Amended Plan. The remaining $1.8 million was used for general corporate purposes, unsecured creditor claims and administrative expenses associated with the Chapter 11 Reorganization.

We are restricted from competing with Nutra SA and Irgovel in Brazil as further described in the purchase agreement. In addition, upon the occurrence of certain events and conditions as described in the purchase agreement, the Investors may be required to purchase a number of units of Nutra SA from the Parent Company, at $2.00 per unit, resulting in the Investors holding up to a 49.0% interest in Nutra SA. The Parent Company anticipates receiving on or about March 31, 2011, an additional $1.0 million from the Investors for the purchase of additional units in Nutra SA. The purchase will increase the Investors' interest in Nutra SA by 4.6%, to a 40.2% interest.

In 2011, we will consolidate the results of the operations of Nutra SA. The Investors' interest in Nutra SA will be reflected as a noncontrolling interest. The amount of gain or loss, if any, resulting from the Investors' purchases of interests in Nutra SA has yet to be determined.

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NOTE 6. INVENTORIES

Inventories are composed of the following (in thousands):

	As of December 31,	
	2010	2009
Finished goods	$ 553	$ 978
Work in process	1,076	499
Raw materials	1,119	1,322
Packaging supplies	246	439
Total inventories	$ 2,994	$ 3,238

NOTE 7. ACCOUNTS RECEIVABLE

A summary of the activity in the allowance for doubtful accounts receivable is summarized in the following table (in thousands):

	As of December 31	
	2010	2009
Balance, beginning of year	$ 153	$ 365
Provision for doubtful accounts receivable	153	39
Accounts written off	(29)	(251)
Balance, end of year	$ 277	$ 153

Pursuant to a March 2011 settlement agreement with a former customer, we expect to receive no later than March 31, 2011, $0.8 million in payment of trade accounts receivable written-off as uncollectible prior to 2009.

Concentration of Credit Risk

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

One customer accounted for 9.7% of our 2010 revenues and 14.7% of our 2009 revenues. At December 31, 2010, one customer accounted for 36.1% of our accounts receivable. At December 31, 2009, another customer accounted for 14.1% of our accounts receivable.

NOTE 8. NOTES RECEIVABLE

As of December 31, 2010 and 2009, notes receivable, net, relates to our note receivable from Ceautamed. In July 2009, we sold to Ceautamed our investments and rights in Vital Living Inc. (VLI). These investments included senior secured convertible promissory notes with a principal amount of approximately $4.2 million, 1,000,000 shares of VLI's series A preferred stock, and rights assigned to us under the original security agreement between VLI and the original holders of the promissory notes. Total consideration was $3.6 million. We received $0.2 million of cash and a promissory note for $3.4 million. The note bore interest at the greater of 2.5% or prime (as defined) plus 1.0%. The interest rate could not exceed 6.0%. The note principal was to be repaid in monthly installments of $0.1 million beginning September 2009 and ending July 2012. One half of accrued and unpaid interest was due in July 2012 with the remainder due August 2012. Effective March 2011, pursuant to a note modification, the interest rate is fixed at 5.0%, monthly principal installments now extend through August 2012, and interest will be paid in full no later than September 2012.

Provision for Doubtful Notes Receivable

We maintain an allowance for doubtful accounts on the notes receivable. A summary of the activity in the allowance for doubtful accounts follows (in thousands):

	2010	2009
Balance, beginning of year	$ 636	$ 550
Provision for doubtful notes receivable	-	86
Balance, end of year	$ 636	$ 636

In 2008, we entered into a promissory note with CURA Pharmaceutical Co. for $0.2 million. CURA had arranged for the sale of our products, but failed to deliver the collected funds. We have not received any payments since April 2009. We have reserved the remaining balance of $0.1 million in 2009.

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In 2006, we entered into promissory notes to VTLV, LLC and VTLV II, LLC totaling $0.5 million to assist them in purchasing secured convertible notes and shares of preferred stock of VLI. We have received no payments on the notes and reserved the note balances in 2008. Our current management is unaware of the business reasons for making these loans.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives. Property, plant and equipment consisted of the following (in thousands):

	As of December 31, 2010	As of December 31, 2009	Estimated Useful Lives
Land	$ 208	$ 199	
Furniture and fixtures	1,461	1,506	5-7 years
Plant	13,369	12,939	30 years
Computer and software	1,628	1,424	3 years
Leasehold improvements	189	189	3-7 years or life of lease
Machinery and equipment	15,239	14,837	7-10 years
Construction in progress	2,081	2,575	
Subtotal	34,175	33,669	
Less accumulated depreciation	10,121	7,426	
Property, plant and equipment, net	$ 24,054	$ 26,243	

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Gains or losses on the sale of property and equipment are reflected in the statements of operations. Depreciation expense was $3.3 million in 2010 and $4.9 million in 2009.

Impairments and Assets Held for Sale

The following is a summary of property, plant and equipment held for sale (in thousands):

	As of December 31, 2010	As of December 31, 2009
Land	$ 233	$ 2,928
Plant	1,814	5,569

Machinery and equipment	1,551	4,813
Construction in progress	-	1,241
Assets held for sale - property, plant and equipment	$ 3,598	$ 14,551

	As of December 31, 2010	2009
Dillon facility	$ 3,598	$ 4,492
Phoenix building	-	6,000
Phoenix equipment	-	4,059
Assets held for sale - property, plant and equipment	$ 3,598	$ 14,551

Dillon Facility

Our Dillon, Montana facility produces certain retail products - RiSolubles, RiFiber and RiBalance. In addition, Dillon produces infant cereal products under a tolling agreement. In October 2009, as part of evaluating non-core assets and businesses, management determined that the Dillon facility (which included land, building and equipment) would be offered for sale. We began to aggressively market the Dillon facility in January 2010 once an agreement to sell the infant cereal business was entered into in December 2009. A written offer to purchase the facility was received in January 2010 for $5.3 million. Subsequently, the offer was withdrawn by the prospective buyer. The net book value of the land, building and equipment as of December 31, 2009, was $4.5 million and no impairment was noted at that time, as we believed we could sell all the assets of Dillon at or above net book value. It is a fully functional facility.

Throughout 2010, we aggressively marketed the facility. The facility is classified as held for sale as of December 31, 2010. Based on an evaluation of market conditions and discounted cash flow analyses we recognized an impairment loss of $0.9 million in the fourth quarter of 2010.

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In February 2011, we ceased actively marketing the facility. We continue to operate the facility for toll processing and are evaluating ways to utilize excess capacity. As a result, in the first quarter of 2011, we reclassified the Dillon facility to property, plant and equipment and restarted depreciation.

Phoenix Building and Equipment

Our Phoenix, Arizona building was constructed to produce infant and adult cereal for worldwide sale. When additional sales did not materialize, we determined that the cereal production could be adequately handled at the Dillon, Montana facility. In July 2009, we decided to sell our infant cereal manufacturing building located in Phoenix, Arizona as well as the equipment housed in the building. The building was listed for sale in September 2009, and based on our best judgment and prevailing market conditions, we recorded a noncash impairment charge of $6.5 million in September 2009 associated with the building. In December 2009, an offer was received to purchase the cereal equipment. As a result, we decided to sell the equipment and building separately. Based on offers received from potential buyers, we recognized an additional impairment of $1.0 million on the building in the second quarter of 2010. The building was sold in September 2010 for a gross price of $4.5 million. We recorded a loss on disposal in 2010 of $0.5 million plus closing costs.

The cereal equipment was sold in March 2010 for $3.7 million pursuant to the December 2009 offer, upon Bankruptcy Court approval. We recorded a loss on disposal of $0.3 million during the first quarter of 2010.

We determined that the cereal product line did not constitute a component of the overall business entity and thus it has not been reported as a discontinued operation.

We used the proceeds from the sale of the building to (i) pay the remaining $1.8 million owed under the DIP Credit Agreement, (ii) pay the $1.4 million owed for all mechanic's liens secured by the property, closing costs and property taxes, (iii) pay $1.0 million of unsecured creditor obligations and (iv) provide $0.3 million of funding for our exit from bankruptcy.

Lake Charles

Our Lake Charles, Louisiana facility was built at a cost of $3.8 million to process rice bran from a rice milling company adjacent to the facility. The facility was idled in May 2009 due to lack of orders. The facility is built on leased land which is owned by the rice milling company. Due to non-payment of the lease rent, the rice milling company served us with a foreclosure notice in July 2009. Upon receipt, management initiated discussions with the rice milling company to possibly sell them the building. In September 2009, management made a written offer to sell the building for $1.3 million which was not accepted. As a result of the written offer, we recorded an impairment of $2.3 million in 2009. The facility is not classified as held for sale due to potential alternative uses and because we are not aggressively marketing the property. We evaluated, and continue to evaluate, alternate uses of the facility which could include serving as an oil pressing operation or serving as a warehouse to store and distribute DRB produced in Brazil.

Corporate Office

In November 2009, the Bankruptcy Court approved our motion to reject our old corporate office lease and to enter into a new, less expensive, corporate office lease. We relocated our headquarters in December 2009. As a result, in 2009, we recorded a $4.0 million loss on disposal of the leasehold improvements and furniture and fixtures associated with the old corporate office. The loss on disposal was partially off-set by (i) a $1.1 million tenant improvement and moving allowance deferred credit related to the prior lease and (ii) $0.2 million of net proceeds from an auction of the furniture and fixtures. Since the old corporate lease was rejected under the bankruptcy procedures, the resulting charge has been included within reorganization expenses in the consolidated statements of operations. In addition, we recorded a non-cash charge of $0.2 million related to furniture and fixtures relocated to the new corporate office.

NOTE 10. INTANGIBLE ASSETS

Intangible assets consist of the following (in thousands):

	As of December 31, 2010			As of December 31, 2009			
	Original Cost	Accumulated Amortization	Net Book Value	Original Cost	Accumulated Amortization	Net Book Value	Estimated Useful Lives
Patents	$2,703	$ 1,039	$1,664	$2,672	$ 806	$1,866	17 years domestic, 20 years foreign
Trademarks	4,231	1,728	2,503	4,787	1,770	3,017	7 years domestic, 7 years foreign
Customer lists	4,205	2,076	2,129	4,153	1,357	2,796	7 years
	$11,139	$ 4,843	$6,296	$11,612	$ 3,933	$7,679	

Amortization expense was $1.5 million in 2010 and $2.0 million in 2009. Amortization expense is expected to be $1.5 million in 2011, $1.4 million in 2012, $1.3 million in 2013, $1.2 million in 2014 and $0.4 million in 2015.

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Impairment

In July 2009, we decided to sell our animal nutrition product related equine trademarks in order to stop competing with major customers. We initiated discussions with several potential buyers to sell a supply agreement and the trademarks for $0.8 million. An offer of $0.7 million was received from an existing customer of equine products in December 2009. The $2.2 million net book value of the trademarks was reduced to $0.7 million, with impairment charges totaling $1.5 million in 2009. The equine trademarks representing a value of $0.7 million were classified as assets held for sale–trademarks as of December 31, 2009.

In March 2010, Manna Pro Products, LLC (Manna Pro) agreed to purchase from us (i) the Natural Glo, Satin Finish and Max-E-Glow trademarks and intellectual property for $0.7 million and (ii) certain supplies and inventory. In April 2010, the asset sale closed and total consideration was $0.8 million. As a condition to the sale, we agreed to supply Manna Pro with the stabilized rice bran they require to utilize the purchased assets. All products sold by Manna Pro under the trademarks being purchased will be co-branded with a NutraCea SRB logo. In 2009, a $1.6 million non-cash charge related to the assets sold is reflected as loss on impairment of trademarks in our consolidated statements of operations.

NOTE 11. EQUITY METHOD INVESTMENTS AND OTHER INVESTMENTS

Equity Method Investments

Our equity method investment as of December 31, 2010 and 2009, is related entirely to our investment in Grain Enhancement, LLC. Loss on equity method investments is comprised of the following (in thousands):

	2010	2009
PIN	$ -	$ (29)
Grain Enhancement	(42)	(51)
RRX	-	(138)
Loss on equity method investments	$ (42)	$ (218)

PIN

In 2009, we entered into an agreement to sell our 51% interest in PT Panganmus Inti Nusantara (PIN), an Indonesian company, to a buyer. The buyer agreed to pay us $1.7 million thus completely liquidating our ownership in PIN. As a result, we recorded an impairment charge in 2008 to reduce the PIN investment to $1.7 million. In 2009, we received $1.6 million in cash, which was net of $0.1 million representing taxes withheld. We wrote-off the taxes withheld in 2009.

Grain Enhancement, LLC

In June 2007, we established, along with Pacific Holdings Advisors Limited (PAHL) and two other entities, Grain Enhancement, LLC (GE), a Delaware limited liability company. The equity position in GE of the four entities was: 47.5% for NutraCea, 47.5% for PAHL, and 3.333% and 1.6667% for the other two entities. We and PAHL are designated as class A members, and the other two entities are designated as class B members. Only class A members are allowed to participate on the GE finance committee, and are the only members required to make capital contributions to GE. The purposes of GE were: (i) to sublicense or otherwise acquire from PAHL all of the rights granted to PAHL under the license agreement; (ii) within the territory, to establish, construct, and operate one or more rice bran stabilization facilities utilizing the proprietary licensed technologies; (iii) to manufacture, distribute, sell, advertise, promote, market and otherwise commercialize SRB products throughout the territory; and (iv) to engage in any and all other activities reasonably related to the foregoing. In October 2009, we received a distribution of $1.0 million in available cash from GE to meet cash requirements. Currently there are no ongoing operational GE activities and there are no commitments on our part to make additional investments in GE.

Rice Rx LLC

In December 2007, we formed Rice Rx LLC (RRX), a Delaware limited liability company, with Herbal Science Singapore Pte. Ltd. (HS), a Singapore corporation. We formed RRX to obtain all of the rights granted to HS with regard to patentable pharmaceuticals under a license agreement between us and HS and to develop, patent, own, market, distribute, and otherwise commercialize the patentable pharmaceuticals. We have a 50% interest in RRX and HS has a 50% interest in RRX. Since inception through December 31, 2010, capital contributions of $0.1 million had been made by each party.

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Other Investments

Rice Science, LLC

In December 2007, we formed Rice Science, LLC (RS), a Delaware limited liability company, with HS. We formed RS to acquire from HS certain isolates license rights with the intent to commercialize and sell SRB isolates. We hold an 80% interest and HS has a 20% interest in the operating results. In February 2009, we withdrew $0.9 million in available cash from RS to meet cash requirements. HS' share of the losses of RRX are accounted for as a noncontrolling interest.

NOTE 12. SETTLEMENT WITH HERBAL SCIENCE

In March 2010, HS filed a proof of claim against the Parent Company in the amount of $1.5 million in the Chapter 11 Reorganization. In November 2010, we entered into a stipulated settlement agreement with HS and certain affiliates, which was subsequently approved by the Bankruptcy Court. The stipulation provides that, by no later than January 2011, we will pay HS $0.9 million. Upon HS's receipt of the payment:

a. We will assume the RRX and RS limited liability company agreements, together with a related supply agreement and license agreements, and the proof of claim will be deemed satisfied;
b. HS will assign to us all of its interests in the RRX and RS limited liability companies;
c. HS and the affiliates will assign to us any interest they have in the patentable pharmaceuticals, SRB isolates and related intellectual property;
d. HS will assign to us the supply agreement, the license agreement and certain related research and development agreements;
e. HS and the affiliates will agree not to engage in any research, development, sale, distribution, commercialization, and/or manufacturing activities concerning the patentable pharmaceuticals, SRB isolates and related intellectual property;
f. HS and the affiliates will agree to cooperate with us in specified ways to protect, preserve and perfect the patentable pharmaceuticals, SRB isolates and related intellectual property; and
g. The parties will waive and release all claims against each other in regard to the limited liability companies, the supply agreement, the license agreement and the research and development agreements.

In January 2011, we renegotiated the stipulated settlement agreement with HS and the affiliates to provide that the payment of $0.9 million would be deferred until we receive the balance of the purchase price for the sale of up to a 49% interest in Nutra SA or until funds otherwise become available earlier. Until we satisfy our payment obligation to HS, HS has an allowed claim for $0.9 million and will receive distributions as a general unsecured creditor without priority. We expect to pay our obligation in full no later than April 2011.

NOTE 13. DEBT

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

	As of December 31, 2010	2009
Domestic:		
Customer list purchase	$ 993	$ 1,411

Supplier note		177		292
Facility lease		-		52
Wells Fargo DIP Credit Agreement - revolving line of credit		-		460
Wells Fargo DIP Credit Agreement - real estate loan		-		3,589
		1,170		5,804
Foreign:				
Equipment financing		290		360
Working capital lines of credit		4,404		1,062
Special tax program		4,470		4,472
Other obligations		266		901
		9,430		6,795
Total debt		10,600		12,599
Current portion		3,235		6,642
Long-term portion	$	7,365	$	5,957

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Required future minimum payments on our long-term debt as of December 31, 2010, are as follows: $3.2 million in 2011; $1.6 million in 2012; $1.6 million in 2013; $1.3 million in 2014; and $0.3 million in 2015 and $2.6 million thereafter.

Domestic

In 2008, we entered into a purchase agreement to acquire a customer list for $3.1 million. We paid $1.0 million at the time of purchase and the remaining amount of $2.1 million was due in twelve quarterly payments of $0.2 million beginning March 1, 2009. The imputed interest rate used on the remaining balance was 8%. In May 2009, we amended the customer list purchase agreement due to our failure to comply with the payment terms of the original agreement. Under the amended agreement, we continue to take orders from the customers on the list. We were required to pay $0.1 million by June 2009, and to have all cash receipts from customers on the list be deposited into a bank account controlled by the seller of the list. Any profits (amounts in excess of the cost of goods sold) generated from the cash receipts are applied towards the outstanding principal amount. The quarterly minimum amount required under this amendment was $0.1 million beginning June 2009. We are required to fund any shortfall to the minimum quarterly amount. The obligation is unsecured.

In August 2009, we entered into a promissory note with a supplier for $0.3 million for goods supplied. The note bears interest at 18.0%. The payments on the note are based upon an assessment fee of $25 per ton charged for each ton of rice bran purchased from the supplier during the month.

Well Fargo

In December 2008, we entered into a credit and security agreement with Wells Fargo Bank, NA. (Wells Fargo). The credit arrangement consisted of three separate credit facilities, bearing interest at rates ranging from 2.5% to 3.0%.

In July 2009, due to an event of default, the interest rate increased by 3.0%, and then ranged from 5.5% to 6.0%. At the time of the notice of default, we owed approximately $3.3 million under the credit facilities, including interest. In July 2009, we cured the default by entering into a forbearance agreement with Well Fargo and an amendment to the credit and security agreement which provided for a revolving line of credit of up to $1.5 million, at an interest rate of prime plus 5.5% to 6.0%.

In connection with the Chapter 11 Reorganization, we entered into a senior secured super-priority debtor-in-possession credit and security agreement (DIP Credit Agreement) with Wells Fargo. The DIP Credit Agreement provided for (i) up to a $2.5 million revolving loan and letter of credit facility and (ii) up to a $4.25 million term loan with both financing facilities subject to specific borrowing bases. The proceeds of the loans and other financial accommodations incurred under the DIP Credit Agreement were used to satisfy the outstanding obligations under the forbearance agreement, pay certain transactional expenses and fees, and support working capital needs.

Advances under the DIP Credit Agreement facilities bore interest at rates of 9.5% to 10.0% per year.

Under the DIP Credit Agreement, as amended, we expensed in $0.1 million in bank fees in 2010 and $0.1 million in bank fees in 2009. In addition, in 2009, we expensed fees associated with the original credit and security agreement and forbearance agreement totaling $0.4 million. Using the proceeds from the sale of the cereal product equipment and the sale of the Phoenix, Arizona facility, the DIP Credit Agreement was paid in full as of September 2010, and the facilities were terminated.

Foreign

All foreign debt is denominated in the Brazilian Real and relates to our Bio-Refining segment.

Irgovel has entered into certain equipment financing arrangements with interest rates that range from 14.4% to 16.1% and are payable through December 2013, secured by the related equipment.

Irgovel has working capital lines of credit secured by accounts receivables. The interest rates range from 6.0% to 26.4% with maturities through June 2012.

Irgovel has an unsecured notes payable for Brazilian federal and social security taxes under a special Brazilian government tax program. Amounts due under the special tax program are part of an amnesty program relative to unpaid taxes that existed prior to our acquisition of Irgovel in 2008. Principal and interest payments are due monthly through 2024 and bear an interest rate of 9.7%.

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NOTE 14. OTHER LONG-TERM LIABILITIES

In 2007, we closed on the sale of certain products to a purchaser. The applicable criteria for revenue recognition were not met at that time. The $1.0 million deposit we received in that transaction was provided to the purchaser through a loan from a person who was one of our former officers and, at the time, was consulting for us. The deposit is recorded as an other long-term liability in the consolidated financial statements. This liability will be extinguished upon the resolution of any legal matters associated with the transaction.

NOTE 15. INCOME TAXES

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

	As of December 31, 2010	2009
Deffered tax assets:		
Net operating loss carryforwards	$ 42,406	$ 38,634
Allowance for doubtful accounts	254	61
Stock options and warrants	2,822	2,138
Intangible assets	378	87
Property, plant and equipment	3,233	2,763
Capitalized expenses	1,312	1,431
Other	682	386
Deferred tax assets	51,087	45,500
Less: Valuation allowance	(50,519)	(45,235)
Net deferred tax assets	568	265
Deffered tax liabilities:		
Intangible assets	(1,155)	(1,384)
Property, plant and equipment	(3,482)	(3,836)
Other	-	(155)
Net deferred tax liabilities	(4,637)	(5,375)
	$ (4,069)	$ (5,110)
Deferred tax asset - current	$ 292	$ -
Deferred tax liability - long-term	(4,361)	(5,110)
	$ (4,069)	$ (5,110)

Deferred taxes arise from temporary differences in the recognition of certain expenses for tax and financial reporting purposes. We have determined it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly we have provided a valuation allowance for deferred tax assets. Our valuation allowance is on domestic deferred tax assets. The change in valuation allowance of approximately $5.3 million in 2010 is primarily due to the net losses from operations and the impairment charges to various long-lived assets.

As of December 31, 2010, net operating loss carryforwards for federal tax purposes totaled $112.1 million and expire at various dates from 2011 through 2030. Net operating loss carryforwards for state tax purposes totaled $75.7 million as of December 31, 2010, and expire at various dates in 2011 through 2030. As of December 31, 2010, net operating loss carryforwards for foreign tax purposes totaled $0.7 million and do not expire.

Utilization of net operating loss carryforwards may be subject to substantial annual limitations due to the “change in ownership” provisions of the Internal Revenue Code of 1986, as amended and similar state regulations. The annual limitation may result in the expiration of substantial net operating loss carryforwards before utilization.

We are subject to taxation in the U.S. and various states. We record liabilities for income tax contingencies based on our best estimate of the underlying exposures. The Internal Revenue Services (IRS) initiated an audit of our 2006 tax return. We cannot currently estimate the impact of the audit. We are open for audit by the IRS for years after 2006 and, generally, by U.S. state tax jurisdictions since our inception in 1998. We are open for audit by the Brazilian tax authorities for years after 2005.

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

	2010	2009
Foreign	$ (2,722)	$ (1,690)
Domestic	(13,881)	(30,987)
Loss before income taxes	$ (16,603)	$ (32,677)

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

The income tax benefit of $0.9 million in 2010 and $0.5 million in 2009 is foreign deferred taxes

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

	2010	2009
Income tax benefit at federal statutory rate	$ (5,645)	$ (11,110)
Increase (decrease) resulting from:		
State tax benefit, net of federal tax effect	(690)	(1,902)
Change in valuation allowance	5,283	13,261
Nontaxable fair value adjustment	119	(940)
True-up to tax return	-	(181)
Nondeductible expenses	8	298
Foreign taxes	(10)	100
Income tax benefit	$ (935)	$ (474)

We have not identified any uncertain tax positions requiring a reserve as of December 31, 2010 or 2009.

NOTE 16. WARRANT LIABILITY

The following table is a summary of activity for warrants subject to liability treatment:

	Shares Exercisable	Weighted Average Exercise Price
Warrants subject to liability treatment, January 1, 2009:		
Series D Warrants	4,545,455	$ 0.55
Adoption of ASC 815-40-15 - warrants with anti-dilution clauses	28,722,848	1.77
2009 Exchange of Warrants:		

Series D Warrants cancelled	(4,545,455)		0.55
Series E Warrants issued	4,545,455		0.30
Warrants issued in 2009 in connection with anti-dilutive warrant triggering events	9,532,638		0.93
Warrants subject to liability treatment, December 31, 2009	42,800,941		1.24
Warrants expired in 2010	(2,916,818)		0.64
Warrants subject to liability treatment, December 31, 2010	39,884,123	$	1.28

Warrants with Anti-Dilution Clauses

We have certain outstanding warrant agreements in effect that contain anti-dilution clauses. Under these clauses, based on future issuances of our common stock, awards of options to employees, additional issuance of warrants, or other convertible instruments below a certain exercise price, we may be required to lower the exercise price on these existing warrants and issue additional warrants.

Effective January 1, 2009, we adopted the provisions of FASB ASC 815, “Derivatives and Hedging” (FASB ASC 815) (previously EITF 07-5, “Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity’s Own Stock”).

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As a result of adopting this guidance, warrants to purchase 28,722,848 shares of our common stock previously treated as equity were no longer afforded equity treatment. We determined that the anti-dilution provision built into these outstanding warrants should be considered for derivative accounting. The new guidance requires freestanding contracts that are settled in a company's own stock to be designated as an equity instrument, asset or liability. Under the provisions of the new guidance, a contract designated as an asset or liability must be initially recorded and carried at fair value until the contract meets the requirements for classification as equity, until the contract is exercised or until the contract expires. We determined that, because of the anti-dilution provision associated with the outstanding warrants, they no longer met the criteria for equity accounting through the revised criteria. The new guidance provides for transition implementation which requires the cumulative effect of the change in accounting principle be recognized as an adjustment to retained earnings and other impacted balance sheet items as of January 1, 2009. The cumulative-effect adjustment is the difference between the amounts recognized prior to adoption and amounts recognized at adoption assuming this guidance had been applied from the issuance date of the warrants.

Accordingly, at January 1, 2009, we determined that the warrants should be accounted for as derivative liabilities. The warrants were valued using the Lattice model. The impact of adoption was an increase in accumulated deficit of $3.9 million, and an increase in warrant liabilities of $3.9 million.

In July 2009, our current chief executive officer was granted options at an exercise price which triggered issuance of additional warrants with anti-dilution clauses. As a result we issued 6,966,580 additional warrants at a weighted average exercise price of $0.60 to existing holders.

Warrant liability was $0.9 million as of December 31, 2009, resulting in warrant liability income of $3.1 million, or earnings per share impact of $0.02, included in other income (expense) for 2009, for all warrants with anti-dilution clauses.

Warrant liability was $0.7 million as of December 31, 2010, resulting in warrant liability income of $0.2 million included in other income (expense) for 2010, for all warrants with anti-dilution clauses.

Series D Warrants and Series E Warrants

During October 2008, we issued to two institutional investors shares of Series D Convertible Preferred Stock and five-year warrants to purchase 4,545,455 shares of our common stock (Series D Warrants). Each warrant entitled the investor to purchase 909.09 shares of our common stock at an exercise price of $0.55 per share. We issued 4,545,455 Series D Warrants under an effective registration statement in October 2008. The warrants were silent as to any penalties should we be unable to maintain the effectiveness of the registration and accordingly, the warrants should have been recorded as a liability as of their issuance date and December 31, 2008. We had not previously accounted for these warrants as separate instruments.

We recorded the fair value of the 4,545,455 Series D Warrants totaling $1.2 million as warrant liability, or earnings per share impact of $0.0.1, and the corresponding expense, as of January 1, 2009. In May 2009, the Series D Warrants were exchanged for the same number of Series E Warrants. The fair value related to the Series E Warrants was $0.4 million as of December 31, 2009. The Series D Warrants and Series E Warrants were valued using the Lattice model. The net warrant liability expense associated with the Series D Warrants and the Series E warrants is $0.4 million for the year ended December 31, 2009, namely the $1.2 million of initial expense recorded on January 1, 2009, offset by income of $0.8 million representing the change in the warrant liability value from January 1, 2009 to December 31, 2009. We determined that recording the $1.2 million warrant expense in the first quarter of 2009, instead of recording that expense in the fourth quarter of 2008 does not materially misstate the financial statements of any periods affected.

Exchange of Series D Warrants for Series E Warrants in May 2009 resulted in a triggering event that required issuance of additional warrants with anti-dilution clauses. The Company issued 2,566,058 of additional warrants at a weighted average exercise price of $1.82 to the existing holders.

Warrant liability for the Series E Warrants was $0.9 million as of December 31, 2010, resulting in warrant liability expense of $0.5 million for 2010 for Series E Warrants.

Assumptions

The Lattice model requires us to assess the probability of future issuance of equity instruments at a price lower than the current exercise price of the warrants. As of January 1, 2009, we estimated two future equity instruments issuances and assessed probability between 10%-50%. As of December 31, 2009, we estimated one future equity instruments issuance and assessed a probability of 10%. As of December 31, 2010, we estimated two future equity instruments issuances and assessed a probability of 25%-67%. Additional assumptions that were used to calculate fair value are as follows.

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	December 31, 2010	December 31, 2009	January 1, 2009
Risk-free interest rate	0.15% - 1.27 %	0.34% - 2.44 %	0.66% - 1.50 %
Expected volatility	91 %	111 %	93 %
Expected life (years)	0.36 - 3.5	0.76 - 4.50	1.75 - 4.80
Annual dividend yield	$ -	$ -	$ -

NOTE 17. CONVERTIBLE PREFERRED STOCK

As of January 1, 2009, there were 4,945 outstanding shares of Series D Convertible Preferred Stock (Series D Preferred Stock). During 2009, we redeemed 2,202 shares of Series D Preferred Stock prior to May 2009.

In May 2009, we entered into two exchange agreements with the holders of the Series D Preferred Stock. The agreements provided for the cancellation of all of the 2,743 then outstanding shares of its Series D Preferred Stock and 4,545,455 outstanding Series D Warrants, in exchange for 2,743 shares of its Series E Convertible Preferred Stock (Series E Preferred Stock) and new warrants to purchase 4,545,455 shares of its common stock (Series E Warrants). The terms of the Series E Warrants were substantially similar to the terms of the Series D Warrants, except that the per share exercise price of the Series E Warrants was $0.20 and the termination date of the Series E Warrants is May 7, 2014. The conversion of Series E Preferred Stock was based on a formula which used the stated value of the Series E Preferred Stock of $1,000 plus any accrued dividend divided by the exercise price of $0.30. Additionally, the redemption and payment of accrued dividends was accelerated to being payable in three equal monthly installments due on June 1, 2009, July 1, 2009 and August 1, 2009.

As of August 2009, we had redeemed all of the Series D Preferred Stock and Series E Preferred Stock and paid the related dividends. We issued 24,560,626 shares of common stock from February through August 2009 for the redemption including dividends. In 2009, cash paid for dividends was $0.1 million and for the redemptions was $0.6 million. The common stock issued in 2009 for the redemptions had a market value of $4.4 million and the common stock issued in 2009 for dividends had a market value of $0.8 million. The dividends are recorded as interest expense in our consolidated financial statements.

NOTE 18. EQUITY AND SHARE-BASED COMPENSATION

Our board of directors adopted our 2010 Equity Incentive Plan (2010 Plan) in February 2010. A total of 25,000,000 shares of common stock are initially reserved for issuance under the 2010 Plan. The amount reserved increases annually by 5% each January. Under the terms of the 2010 Plan, we may grant options to purchase common stock and shares of common stock to officers, directors, employees or consultants providing services on such terms as are determined by the board of directors. Our board of directors administers the 2010 Plan, determines vesting schedules on plan awards and may accelerate the vesting schedules for award recipients. The options granted under the 2010 Plan have terms of up to 10 years.

Our board of directors adopted the 2005 Equity Incentive Plan (2005 Plan) in May 2005 and our shareholders approved the 2005 Plan in September 2005. Under the terms of the 2005 Plan, we may grant options to purchase common stock and shares of common stock to officers, directors, employees or consultants providing services on such terms as are determined by the board of directors. Our board of directors administers the 2005 Plan, determines vesting schedules on plan awards and may accelerate their schedules for award recipients. Options granted under the 2005 Plan have terms of up to 10 years.

In October 2003, the board of directors approved and adopted the 2003 Stock Compensation Plan (2003 Plan) and authorized our president to execute a registration statement under the Securities Act of 1933.

The status of the various plans is as follows:

	As of December 31, 2010		
	2010 Plan	2005 Plan	2003 Plan
Initially reserved	25,000,000	10,000,000	10,000,000
Options and stock granted since inception	(23,432,253)	(11,242,274)	(10,019,137)
Forfeited, expired or cancelled since inception	750,000	1,638,399	22,930
Available for issuance	2,317,747	396,125	3,793

We have outstanding a total of 13,248,983 options awarded to current and former directors, employees and consultants at various times beginning in 2001 through 2009 that do not fall under the plans described above. Expiration periods, typically ten years, and other terms of these non-plan specific options are not materially different from those issued under a plan.

Share-based compensation expenses are included in selling, general and administrative expenses in the consolidated statements of operations, and consisted of the following (in thousands):

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	2010	2009
Consultants	$ 37	$ 164
Directors	135	81
Employees	410	92
Executive officers	1,087	237
Total share-based compensation expense - options	$ 1,669	$ 574

The following are the weighted-average assumptions used in valuing the stock options:

	2010	2009
Weighted average fair value of options granted	$ 0.13	$ 0.13
Volatility	114.3 %	102.7 %
Risk free interest rate	1.5 %	2.1 %
Expected life of options (in years)	5.8	5.4
Expected dividends	-	-
Forfeitures	5-10 %	5-10 %

We have never declared or paid dividends on our common stock and have no plans to pay dividends in the foreseeable future.

The following are summaries of option activity:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding, January 1, 2009	25,193,477	$ 0.80	4.4	-
Granted	9,362,625	0.21		
Exercised	-			
Forfeited, expired or cancelled	(9,967,151)	1.04		-
Outstanding, December 31, 2009	24,588,951	0.49	5.4	-
Granted	23,638,503	0.20		
Exercised	-			
Forfeited, expired or cancelled	(2,742,343)	0.87		-
Outstanding, December 31, 2010	45,485,111	$ 0.30	7.0	-

Employees and Directors Consultants

	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Total Number of Options
Outstanding, January 1, 2009	$ 0.69	18,860,305	$ 1.12	6,333,172	25,193,477
Granted	0.21	9,042,625	0.20	320,000	9,362,625
Forfeited, expired or cancelled	1.13	(5,181,130)	0.94	(4,786,021)	(9,967,151)
Exercised	NA	-	NA	-	-
Outstanding, December 31, 2009	0.41	22,721,800	1.46	1,867,151	24,588,951
Granted	0.20	23,068,503	0.20	570,000	23,638,503
Forfeited, expired or cancelled	0.78	(2,078,727)	1.18	(663,616)	(2,742,343)
Exercised	NA	-	NA	-	
Outstanding, December 31, 2010	$ 0.28	43,711,576	$ 1.16	1,773,535	45,485,111
Exercisable, December 31, 2010	$ 0.30	28,014,506	$ 1.16	1,723,535	29,738,041
Exercisable, December 31, 2009	$ 0.48	16,564,996	$ 1.46	1,817,151	18,382,147

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

	As of December 31, 2010					
Range of exercise prices	Number of Options	Outstanding Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number of Options	Exercisable Remaining Contractual Life (in years)	Weighted Average Exercise Price
$0.20	31,172,467	8.7	$0.20	15,862,897	8.1	$0.20
0.21 to $$0.49	12,254,109	3.5	0.29	11,816,609	3.6	0.30
0.50 to $$0.99	175,000	2.4	0.86	175,000	2.4	0.86
1.00 to $$1.49	975,000	2.8	1.35	975,000	2.7	1.35
1.50 to $$1.99	500,000	2.5	1.50	500,000	2.5	1.50
2.00 to $$2.99	-	-	-	-	-	-
3.00 to $$3.49	200,000	1.3	3.03	200,000	1.3	3.03
3.50 to $$3.99	175,000	6.5	3.83	175,000	6.5	3.83
4.00 to $$9.99	-	-	-	-	-	-
$10.00	33,535	0.9	10.00	33,535	0.9	10.00
0.20 to $$10.00	45,485,111	7.0	$0.30	29,738,041	6.0	$0.35

In July 2010, we modified 3,045,347 outstanding options, which had been awarded to employees. The exercise price of the options was lowered to $0.20 per share from a weighted average $0.40 per share. The stock price on the date of the re-pricing was $0.12 per share. No other terms of the options were modified. We recorded expense of less than $0.1 million in 2010, representing the difference between the fair value of the options before and after the modification. Total unrecognized compensation increased less than $0.1 million as a result of the modification.

The total fair value of options vested during 2010 and 2009 was $1.6 million and $1.0 million. As of December 31, 2010, there was $2.4 million of total unrecognized compensation expense related to outstanding non-vested options to be recognized over a weighted average period of 2.4 years.

In December 2010, we reached an agreement to settle all potential claims associated with the employment of Brad Edson, our former chief executive officer. The agreement was subject to the approval of the Bankruptcy Court and we received approval in January 2011. As part of the settlement, he was required to forfeit 6,000,000 options granted in 2004 along with any stock holdings. The options had an exercise price of $0.30 per share and were outstanding and exercisable as of December 31, 2010 and 2009.

In March 2011, we reached an agreement to settle all potential claims associated with employment of Todd Crow, our former chief financial officer. As part of the settlement, he was required to forfeit 1,662,942 options. The agreement is subject to the approval of the Bankruptcy Court. The options had an average exercise price of $0.37 per share and were outstanding and exercisable as of December 31, 2010 and 2009.

Equity Warrants

We issued to investors certain warrants that do not contain anti-dilution features and hence, qualify as equity warrants. We valued these warrants using the Black-Scholes-Merton model upon issuance. As of December 31, 2010, there were 545,454 of these outstanding with a weighted average exercise price of $0.86 and an expected life of 2.4 years. During 2010, 1,000,000 of these warrants expired. As of December 31, 2009, there were 1,545,454 of these outstanding with a weighted average exercise price of $0.69 and an expected life of 1.8 years. Data for these warrants is not included in the tables above.

Other Equity Transactions

During 2010, we issued 2,391,429 shares of common stock to vendors in payment for services. The shares were valued at $0.5 million, based on the market price of our common stock on the date the shares were issued.

NOTE 19. COMMITMENTS AND CONTINGENCIES

Purchase and Supply Commitments

In January 2011, Irgovel entered into a commitment to supply $0.4 million of crude rice bran oil each month from April 2011 to December 2011. The commitment represents approximately 50% of Irgovel’s crude oil production capacity.

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In January 2011, Irgovel entered into equipment purchase commitments totaling $5.6 million. The equipment is part of a capital project to expand production capacity and improve operational efficiency. We expect to pay for this equipment during the first nine months of 2011.

Employment Contracts

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

In the normal course of business, we periodically enter into employment agreements which incorporate indemnification provisions. While the maximum amount to which we may be exposed under such agreements cannot be reasonably estimated, we maintain insurance coverage, which we believe will effectively mitigate our obligations under these indemnification provisions. No amounts have been recorded in the consolidated financial statements with respect to any obligations under such agreements.

Leases

We lease certain properties under various operating lease arrangements that expire over the next twenty four years. These leases generally provide us with the option to renew the lease at the end of the lease term. Future minimum payments under these commitments as of December 31, 2010, are as follows: $0.4 million for 2011; $0.2 million for 2012; $0.2 million for 2013; $0.1 million for 2014; $0.1 million in 2015 and $1.1 million thereafter.

We incurred lease expense of $0.5 million and $1.6 million for 2010 and 2009.

Litigation

In addition to the matters discussed below, from time to time we are involved in litigation incidental to the conduct of our business. When applicable, we record accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. While the outcome of lawsuits and other proceedings against us cannot be predicted with certainty, in the opinion of management, individually or in the aggregate, no such lawsuits are expected to have a material effect on our financial position or results of operations.

Defense costs are expensed as incurred and are included in professional fees.

Irgovel Stockholders Lawsuit

On August 28, 2008, former Irgovel stockholder David Resyng filed an indemnification suit against Irgovel, Osmar Brito and the remaining Irgovel stockholders (Sellers), requesting: (i) the freezing of the escrow account maintained in connection with the transfer of Irgovel's corporate control to us and the presentation of all documentation related to the transaction, and (ii) damages in the amount of the difference between (a) the sum received by David Resyng in connection with the judicial settlement agreement executed in the action for the partial dissolution of the limited liability company filed by David Resyng against Irgovel and the Sellers and (b) the amount received by the Sellers in connection with the sale of Irgovel's corporate control to us, in addition to moral damages as determined in the court's discretion. The amount of damage claimed by Mr. Resyng is approximately $3 million.

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

On February 6, 2009, the Sellers filed a collection lawsuit against us seeking payment of the second installment of the purchase price under the Purchase Agreement, which the Sellers allege is approximately $1.0 million. We have withheld payment of the second installment pending resolution of the Resyng lawsuit noted above. The Parent Company has not been served with any formal notices in regard to this matter so far. To date, only Irgovel has received formal legal notice. In addition, the Purchase Agreement requires that all disputes between us and the Sellers be adjudicated through arbitration. As part of the Purchase Agreement $2.0 million was deposited into an escrow account to cover contingencies with the net remaining funds payable to the Sellers upon resolution of all contingencies. We believe any payout due to the lawsuit will be made out of the escrow account. As of December 31, 2010 and 2009, the balance in the escrow account was $1.9 million and is included in restricted cash in the consolidated balance sheets. There is an offsetting liability in accrued expenses in our consolidated balance sheets as of December 31, 2010 and 2009. We believe that there is no additional material exposure as any amounts determined to be owed as a result of the above noted litigation and contingencies will be covered by the escrow account.

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Shareholder Class Action

On February 27, 2009 and on April 27, 2009, securities class action lawsuits were filed in the District Court for the District of Arizona against us and certain of our current and former officers and directors. On May 29, 2009, the cases were consolidated into a single action (the Federal Action) and lead plaintiff was appointed. On July 1, 2009, lead plaintiff filed a consolidated class action complaint on behalf of all persons who purchased our common stock between April 2, 2007 and February 23, 2009. The complaint alleged that we filed material misstatements in publically disseminated press releases and SEC filings misstating our financial condition and certain transactions during the period in question. An amended consolidated complaint was filed on September 25, 2009.

The case has been settled in its entirety with the settlement to be funded by our directors and officers insurance carrier. On October 1, 2010, the District Court of Arizona issued an order approving the settlement, certifying the class and entering judgment dismissing the matter. On October 27, 2010, the Bankruptcy Court also entered an order approving the settlement.

Shareholder Derivative Action

In addition to the shareholder class actions, on March 30, 2009 and May 8, 2009, two shareholder derivative lawsuits were filed in Maricopa County Superior Court by persons identifying themselves as our shareholders and purporting to act on our behalf, naming us as a nominal defendant and naming our former chief executive officer and our then board of directors as defendants.

In these actions, the plaintiffs asserted claims against the individual defendants for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment based on the alleged wrongful conduct complained of in the federal action described above. All of these claims were purportedly asserted derivatively on our behalf and the plaintiffs sought no monetary recovery against us. Instead they sought, among other relief, disgorgement of all profits, benefits, and compensation received by the individual defendants together with their attorneys' fees and costs.

By an order entered on June 3, 2009, the superior court consolidated these two cases into one action captioned In re: NutraCea Derivative Litigation, Case No. CV2009-051495. Following the filing of the Chapter 11 Reorganization, the defendants filed a motion to dismiss the action for lack of standing. On February 10, 2010, in response to that motion, plaintiffs filed a voluntary dismissal without prejudice of both actions and the court entered the dismissals.

SEC Enforcement Investigation

We received a letter from the SEC in January 2009 indicating that it had opened an informal inquiry, and we subsequently received an informal request for the production of documents in February 2009 relating to a number of 2007 transactions. In March 2009, we received a formal order of private investigation from the SEC. In June 2009, we received a subpoena for the production of documents that largely tracked the SEC's earlier requests. We responded to these requests for documents and based on findings related to the internal review and the SEC's requests, we restated our financial statements for 2006, 2007 and the first three quarters of 2008.

On January 13, 2011, the SEC filed a complaint in the United States District Court for the District of Arizona alleging that we violated Section 17(a) of the Securities Act of 1933 (Securities Act), 15 U.S.C. § 77q(a), Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act of 1934 (the Exchange Act), 15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A), and 78m(b)(2)(B), and Rules 10b-5, 12b-20, 13a-1, and 13a-13 thereunder, 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, and 240.13a-13 (the SEC Action). We have settled these allegations with the SEC, without admitting or denying them, and have consented to the entry of a final judgment of permanent injunction (the Consent Judgment), which, among other things, permanently restrains and enjoins us from violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A), and 78m(b)(2)(B), and Rules 10b-5, 12b-20, 13a-1, and 13a-13 thereunder, 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, and 240.13a-13. The final Consent Judgment was entered in the SEC action on February 14, 2011. No financial penalty was assessed by the SEC against us.

W.D. Manor Mechanical Contractors, Inc. and Related Matters

On April 30, 2009, W.D. Manor Mechanical Contractors, Inc. (W.D. Manor) filed a complaint against us and other unrelated defendants in Superior Court of Arizona, Maricopa County (CV2009-013957) arising out of the construction of a facility in Phoenix, Arizona. Various other sub-contractors joined in the lawsuit and asserted lien claims. These claims have been accrued and expensed in our consolidated financial statements. With the sale of the Phoenix facility in September 2010, all claims held by W.D. Manor and the other subcontractors who joined in the lawsuit, totaling $0.7 million, were paid in full from the proceeds of the sale and the lawsuit was dismissed.

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Farmers' Rice Milling

Farmers' Rice Milling (FRM) contended that we defaulted by failing to pay rentals due under two leases between the parties: (i) the March 15, 2007, ground lease, as amended on November 1, 2008, and (ii) the April 15, 2007, warehouse lease. FRM filed suit against us to terminate the leases and recover damages thereunder. This suit was filed in the 14th Judicial District Court on June 24, 2009, and was timely removed to the United States District Court, Western District of Louisiana, Lake Charles division. We filed an answer and counterclaim and deposited into the registry of the court $0.1 million constituting the rentals due under the leases, a late fee due under the warehouse lease plus accrued interest. As part of the Chapter 11 Reorganization, the leases were assumed under Section 365 of the Bankruptcy Code. Arrearages due under the leases were paid in January 2011 and the lawsuit was dismissed. FRM also asserted a claim for monetary damages for breach of a supply agreement, but that claim was dismissed from the lawsuit and allowed as a general unsecured claim in the Chapter 11 Reorganization.

NOTE 20. EMPLOYEE BENEFIT PLAN

Substantially all U.S. based employees are eligible to participate in the NutraCea 401(k) Profit Sharing Plan. Safe harbor contributions to the plan are a mandatory 3.0% of the qualified employees' gross salary, regardless of whether or not the employee makes elective deferrals. In addition to any safe harbor contributions, we may make matching contributions, discretionary profit sharing contributions and qualified non-elective contributions. Safe harbor contributions were $0.1 million for 2010 and $0.2 million for 2009. We made no matching contributions for 2010 or 2009.

NOTE 21. SEGMENT INFORMATION

We have three reportable segments: Corporate; Stabilized Rice Bran (SRB), which manufactures and distributes SRB in various granulations along with products derived from bran via patented enzyme treatment processes including a fat and protein rich water soluble fraction and a fiber rich insoluble fraction; and Bio-Refining, which separates rice bran into crude rice bran oil and defatted rice bran which are then further processed into a number of valuable food and feed products. The Bio-Refining segment consisted of our Irgovel operations in Brazil in 2010 and 2009. The Corporate segment includes corporate general and administrative expenses, litigation settlements, and other expenses not directly attributable to segments. No corporate allocations are made to the other segments. Interest is not allocated.

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

	2010			
	Corporate	SRB (1)	Bio-Refining (2)	Consolidated
Revenues	$-	$11,908	$ 19,723	$ 31,631
Cost of goods sold	-	7,510	17,137	24,647
Gross profit	-	4,398	2,586	6,984
Depreciation and amortization (in selling, general and administrative)	(218) (5)	(1,420)	(1,192)	(2,830)
Impairment of property, plant and equipment	-	(1,900)	-	(1,900)
Loss on disposal of trademarks, property, plant and equipment	-	(943)	-	(943)
Other operating expenses	(8,737) (6)	(3,114)	(3,365)	(15,216)
Loss from operations	$(8,955)	$(2,979)	$ (1,971)	$ (13,905)
Net loss attributable to NutraCea shareholders	$(10,860)	$(3,021)	$ (1,787)	$ (15,668)
Interest expense	(616)	-	(926)	(1,542)
Depreciation (in cost of goods sold)	-	(447) (7)	(1,497)	(1,944)
Purchases of property and equipment	33	92	647	772
Property, plant and equipment, end of period	1,996	9,337	12,721	24,054
Assets held for sale, end of period	-	3,598	-	3,598
Goodwill, end of period (3)	-	-	5,835	5,835
Intangible assets, net, end of period	-	2,901	3,395	6,296
Total assets, end of period	7,143	17,308	28,773	53,224

	2009			
	Corporate	SRB (1)	Bio-Refining (2)	Consolidated
Revenues	$-	$14,491	$ 18,732	$ 33,223
Cost of goods sold	-	11,116	15,938	27,054
Gross profit	-	3,375 (4)	2,794	6,169
Depreciation and amortization (in selling, general and administrative)	(935) (5)	(2,418)	(1,038)	(4,391)
Impairment of property, plant and equipment	-	(8,845)	-	(8,845)
Impairment of trademarks	-	(1,594)	-	(1,594)
Loss on disposal of trademarks, property, plant and equipment	-	(202)	-	(202)
Other operating expenses	(11,975) (6)	(5,232)	(3,224)	(20,431)
Loss from operations	$(12,910)	$(14,916)	$ (1,468)	$ (29,294)
Net loss attributable to NutraCea shareholders	$(16,057)	$(14,822)	$ (1,216)	$ (32,095)
Interest expense	(1,402)	-	(912)	(2,314)

Depreciation (in cost of goods sold)	-	(1,443) (7)	(1,121)	(2,564)
Purchases of property and equipment	569	796	403	1,768
Property, plant and equipment, end of period	1,790	10,888	13,565	26,243
Assets held for sale, end of period	-	15,201	-	15,201
Goodwill, end of period (3)	-	-	5,626	5,626
Intangible assets, net, end of period	-	3,609	4,070	7,679
Total assets, end of period	8,809	33,134	28,225	70,168

(1) The SRB segment was formerly referred to as "NutraCea".
(2) The Bio-Refining segment was formerly referred to as "Irgovel".
(3) All changes in goodwill between December 31, 2009 and December 31, 2010, relate to foreign currency translation.
(4) SRB segment gross profit in 2009 included $0.5 million in obsolete inventory write-offs.
(5) Corporate depreciation related to leasehold improvements decreased $0.7 million for our corporate headquarters. We relocated in January 2010.
(6) Corporate other operating expenses in 2010 includes $1.2 million less in rents as a result of the relocation of our corporate headquarters and includes $1.0 million less in payroll and related costs.
(7) SRB depreciation in 2009 includes depreciation on the Dillon facility of $0.9 million. There was no depreciation on the Dillon facility in 2010 while the Dillon facility was classified as held for sale.

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The following tables present data by geographic area (in thousands):

	2010	2009
United States	$ 9,548	$ 11,685
Brazil	16,497	18,138
Other international	5,586	3,400
Total revenues	$ 31,631	$ 33,223

	As of December 31, 2010	2009
United States	$ 11,333	$ 12,678
Brazil	12,721	13,565
Total property, plant and equipment, net	$ 24,054	$ 26,243

NOTE 22. FAIR VALUE MEASUREMENT

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

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

- Level 1 inputs include quoted prices for identical instruments and are the most observable.
- Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates and yield curves.
- Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

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

		As of December 31, 2010			
		Level 1	Level 2	Level 3	Total
Warrant liability	(1)	$-	$-	$1,628	$1,628
Total liabilities at fair value		$-	$-	$1,628	$1,628

	As of December 31, 2009			
	Level 1	Level 2	Level 3	Total

Warrant liability	(1)	$-	$-	$1,279	$1,279
Total liabilities at fair value		$-	$-	$1,279	$1,279

(1) Represents fair value of warrant liability established as a result of adoption of FASB ASC 815, "Derivatives and Hedging" (FASB ASC 815) (previously EITF 07-5, "Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity's Own Stock). Fair value of the warrant liabilities was determined using the Lattice Model (see Note 16).

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

2010	Fair Value as of Beginning of Year	Total Realized/ Unrealized Gains (Losses) (1)	Issuance of New Warrants	Net Transfers Into (Out of) Level 3	Fair Value, End of Year	Change in Unrealized Gains (Losses) on Instruments Still Held
Warrant liability	$ 1,279	$ 349	$ -	$ -	$ 1,628	$ 349
Total Level 3 fair value	$ 1,279	$ 349	$ -	$ -	$ 1,628	$ 349

2009	Adoption of ASC 815-40-15 as of Beginning of Year	Total Realized/ Unrealized Gains (Losses) (1)	Record Series D Warrants at Fair Value as of Beginning of Year (1)	Issuance of New Warrants (1)	Net Transfers Into (Out of) Level 3	Fair Value, End of Year	Change in Unrealized Gains (Losses) on Instruments Still Held
Warrant liability	$ 3,913	$ (5,247)	$ 1,156	$ 1,457	$ -	$ 1,279	$ (5,247)
Total Level 3 fair value	$ 3,913	$ (5,247)	$ 1,156	$ 1,457	$ -	$ 1,279	$ (5,247)

(1) Included in warrant liability income (expense) in the consolidated statements of operations.

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

As of December 31, 2010		Level 1	Level 2	Level 3	Total
Assets held for sale - property, plant and equipment	(1)	$-	$-	$3,598	$3,598
Total assets at fair value		$-	$-	$3,598	$3,598

As of December 31, 2009		Level 1	Level 2	Level 3	Total
Assets held for sale - property, plant and equipment	(2)	$ -	$ -	$ 14,551	$ 14,551

Assets held for sale - trademarks	(3)	-	-	650	650
Lake Charles building	(4)	-	-	1,251	1,251
Total assets at fair value		$ -	$ -	$ 16,452	$ 16,452

(1) Represents land, building and equipment at our Dillon, Montana facility. Carried at fair value, based on an evaluation of market conditions and discounted cash flow analyses, less costs to sell (see Note 9).

(2) Represents land, building, equipment and construction in progress at our Dillon, Montana and Phoenix, Arizona facilities. The fair value was measured based on third party appraisals, offers from potential buyers and subsequent sale of the assets, less costs to sell (see Note 9).

(3) Represents equine trademarks held for sale as of December 31, 2009. We determined the fair value based on the offers received from potential buyers. The equine trademarks were sold to an existing customer of our equine products in April 2010 (see Note 10).

(4) We recorded an impairment of $2.3 million in 2009. The fair value of the building was based on a written offer made to FRM and a third party appraisal (see Note 9).

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NutraCea
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NOTE 23. EVENTS IN JAPAN

As of March 31, 2011, we have not experienced any unfavorable impact on revenues from the March 2011 earthquake and tsunami which devastated Japan, or its aftermath. Shipments of our rice bran oil product to a southern port in Japan have been unaffected. Although not foreseen at this time, we may experience unfavorable impacts on our operating results in the future should the situation change.

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PART II
(continued)

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as such term is defined in Rule 13a-15(e)) under the Securities Exchange Act of 1934 (Exchange Act) was performed as of December 31, 2010, under the supervision and with the participation of our current management, including our current Chief Executive Officer and Chief Financial Officer. Our disclosure controls and procedures have been designed to ensure that information we are required to disclose in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2010 because of the material weaknesses described below. The Company performed additional analyses and other post-closing procedures to ensure that our Consolidated Financial Statements contained within this Annual Report were prepared in accordance with GAAP. Accordingly, management believes that the Consolidated Financial Statements included in this Annual Report fairly present in all material respects our financial position, results of operations and cash flows for the periods presented.

Management Report on Internal Control over Financial Reporting

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

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention, or timely detection, of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

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

Under the supervision and with the participation of current management, including our current Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth in the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) entitled "Internal Control-Integrated Framework."

As a result of the material weaknesses described below, our management concluded that as of December 31, 2010 we did not maintain effective internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework, issued by COSO.

A "material weakness" is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A "control deficiency" exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

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Management identified the following material weaknesses in the Company's internal control over financial reporting as of December 31, 2010:

- Since the Company was in Chapter 11 Reorganization, the Company had inadequate staffing to allow it to file in a timely manner its Quarterly Reports on Form 10-Q for 2009 and 2010 and its Annual Report on Form 10-K for 2009.

- The Company's Brazilian Subsidiary, Irgovel, implemented a new enterprise resource planning (ERP) system during 2010, which precipitated changes to several of the underlying control processes. Due to a limited staff, certain processes were carried out by a single individual and were not subjected to the separate review process. This lack of review caused some inventory and interest calculations to be inaccurate requiring material post-closing adjustments.

Plan for Remediation

Management hired outside consultants in March 2011 to assist with accounting and financial reporting requirements. In addition, we are assessing our future need for possible permanent additions to the accounting and reporting compliance staff. A new Chief Financial Officer joined the Company in June 2010, replacing the interim Chief Financial Officer engaged since July 2009. With the assistance of the Audit Committee of the Board of Directors we will continue to assess the Company's staffing requirements in order to remediate the above material weakness. The Chapter 11 Reorganization process has essentially been completed with our emergence from bankruptcy on November 30, 2010, the effective date. Therefore, we are directing more effort and focus to financial reporting.

The Company's Brazilian subsidiary has realigned controls and responsibilities to ensure adequate and appropriate levels of independent review.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of fiscal 2010 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item relating to our executive officers, our directors and nominees, and compliance with Section 16(a) of the Securities Exchange Act of 1934 is included under the captions "Executive Compensation", "Proposal 1: Election of Directors", and "Section 15(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for the 2011 Annual Meeting of shareholders and is incorporated herein by reference.

We have adopted a code of business conduct and ethics that applies to all of our directors, officers and employees. We will provide any person, without charge, a copy of this Code. Requests for a copy of the code may be made by writing to NutraCea at 6720 North Scottsdale Road Suite 390, Scottsdale, Arizona 85253, Attention: Chief Financial Officer.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is included under the captions “Proposal One: Election of Directors” and “Executive Compensation” in our definitive Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

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

The information required by this item relating to security ownership of certain beneficial owners and management, and securities authorized for issuance under equity compensation plans is included under the captions “Ownership of Securities” and “Equity Compensation Plan Information” in our definitive Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

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

The information required by this item is included under the captions “Certain Relationships and Related Transactions” and “Proposal 1: Election of Directors” in our definitive Proxy Statement for the 2011 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is included under the caption “Principal Accountant Fees and Services” in our definitive Proxy Statement for the 2011 Annual Meeting of Stockholders and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

See Exhibit Index attached hereto.

The Financial Statements are included under Item 8.

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Exibit 24.1

SIGNATURES

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

NUTRACEA

Date: March 31, 2011	By:	/s/ W. John Short W. John Short Chairman and Chief Executive Officer

Power of Attorney

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

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

Signature	Title	Date
Principal Executive Officer:		
/s/ W. John Short W. John Short	Chairman and Chief Executive Officer	March 31, 2011
Principal Financial Officer and Principal Accounting Officer		
/s/ Dale Belt Jerry Dale Belt	Chief Financial Officer	March 31, 2011
Additional Directors:		
/s/ David Bensol David Bensol	Director	March 31, 2011
/s/ Edward L. McMillan Edward L. McMillan	Director	March 31, 2011
/s/ Steven W. Saunders Steven W. Saunders	Director	March 31, 2011

/s/ James Lintzenich James Lintzenich	Director	March 31, 2011
/s/ John J. Quinn John J. Quinn	Director	March 31, 2011
/s/ Kenneth L. Shropshire Kenneth L. Shropshire	Director	March 31, 2011

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EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.01(1)	Asset Purchase Agreement, dated as of September 28, 2007, between NutraCea and Vital Living, Inc.
2.02(20)(21)	Quotas Purchase and Sale Agreement, dated January 31, 2008, between NutraCea and Quota Holders of Irgovel - Industria Riograndens De Oleos Begetais Ltda.
2.03(32)	First Amended Plan of Reorganization
2.04(32)	Second Amendment to Exhibit 1 to First Amended Plan of Reorganization
3.01.1(2)	Restated and Amended Articles of Incorporation as filed with the Secretary of State of California on December13, 2001.
3.01.2(3)	Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on August 4, 2003.
3.01.3(4)	Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on October 31, 2003.
3.01.4(3)	Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on September 29, 2005.
3.01.5(5)	Certificate of Amendment of Articles of Incorporation as filed with the Secretary of State of California on August 20, 2007.
3.02(6)	Certificate of Designation of the Rights, Preferences, and Privileges of the Series A Preferred Stock as filed with the Secretary of State of California on December 13, 2001.
3.03(7)	Certificate of Determination, Preferences and Rights of Series B Convertible Preferred Stock as filed with the Secretary of State of California on October 4, 2005.
3.04(8)	Certificate of Determination, Preferences and Rights of Series C Convertible Preferred Stock as filed with the Secretary of State of California on May 10, 2006.
3.05(18)	Certificate of Determination, Preferences and Rights of the Series D Convertible Preferred Stock of NutraCea, as filed with the Secretary of State of California on October 17, 2008.
3.06(23)	Certificate of Determination, Preferences and Rights of the Series E Convertible Preferred Stock of NutraCea, as filed with the Secretary of State of California on May 7, 2009.
3.07.1(9)	Bylaws of NutraCea.
3.07.2(10)	Amendment of Bylaws of NutraCea effective June 19, 2007.
3.07.3(28)	Amendment of Bylaws of NutraCea effective December 4, 2009.

4.01(8)	Form of warrant issued to subscribers in connection with NutraCea's May 2006 private placement.
4.02(11)	Form of warrant issued to subscribers in connection with NutraCea's February 2007 private placement.
4.03(19)	Form of common stock purchase warrant issued to subscribers in connection with NutraCea's April 2008 financing.
4.04(23)	Form of common stock warrant issued to holders of outstanding warrants in connection with NutraCea's May 2009 exchange transaction.
10.01(7)	Securities Purchase Agreement, dated September 28, 2005, by and among NutraCea and the investors named therein.
10.02(7)	Registration Rights Agreement, dated September 28, 2005, by and among NutraCea and the investors named therein.
10.03(8)	Securities Purchase Agreement, dated May 12, 2006, by and among NutraCea and the investors named therein.

10.04(8)	Registration Rights Agreement, dated May 12, 2006, by and among NutraCea and the investors named therein.
10.05(11)	Securities Purchase Agreement, dated February 15, 2007, by and among NutraCea and the investors named therein.
10.06(11)	Registration Rights Agreement, dated February 15, 2007, by and among NutraCea and the investors named therein.
10.07(19)	Form of Securities Purchase Agreement, dated as of April 24, 2008, by and between NutraCea and each investor signatory thereto.
10.08(18)	Form of Securities Purchase Agreement, dated as of October 16, 2008, by and between NutraCea and each investor signatory thereto.
10.09(23)	Form of Exchange Agreement, dated May 7, 2009, by and between NutraCea and the holders of NutraCea's outstanding Series D Convertible Preferred Stock.
10.10(20)	Form of Senior Secured Convertible Note of Vital Living, Inc.
10.11(14)	Form of securities purchase letter agreement, dated April 2007, by and between NutraCea and the holder of notes and/or preferred stock of Vital Living, Inc.
10.12(5)±	Limited Liability Company Agreement for Grain Enhancement, LLC.
10.13(20)±	Amendment of Limited Liability Company Agreement for Grain Enhancement, LLC.
10.14(5)±	Supply Agreement between Grain Enhancement, LLC and NutraCea.
10.15(5)±	License and Distribution Agreement between Pacific Advisors Holdings Limited and NutraCea.
10.16(20)±	Amendment of License and Distribution Agreement between Pacific Advisors Holdings Limited and NutraCea.
10.17(5)±	Equipment Lease Agreement between Grain Enhancement, LLC and NutraCea.
10.18(21) ±	Shareholders' Agreement with NutraCea Offshore, LTD., NutraCea and Bright Food Investment Company Limited, dated June 25, 2008.
10.19(20)±	Wheat Bran Stabilization Equipment Lease, dated January 24, 2008, between NutraCea and PT Panganmas Inti Nusantara.
10.20(27)+	Asset Purchase Agreement, dated December 1, 2008, between NutraCea and Farmers' Rice Cooperative.
10.21(27)	Credit and Security Agreement with Wells Fargo Bank, National Association, dated December 18, 2008.

10.22(27)	Forbearance Agreement and Amendment to Credit and Security Agreement with Wells Fargo Bank, National Association, dated July 31, 2009.
10.23(24)	Purchase Agreement between Ceautamed Worldwide, LLC and NutraCea, dated July 29, 2009.
10.24(25)*	Employment Agreement between NutraCea and W. John Short.
10.25(25)*	First Amendment of Employment Agreement between NutraCea and W. John Short.
10.26(26)*	Employment Agreement between NutraCea and Leo Gingras.
10.27(15)*	Executive Employment Agreement between NutraCea and Kody Newland.
10.28(20)*	First Amendment to Employment Agreement between NutraCea and Kody Newland.
10.29(27)*	Employment Severance Agreement between NutraCea and Bradley Edson.
10.30(34)*	Severance and Release Agreement between NutraCea and Margie D. Adelman.

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10.31(16)*	NutraCea 2003 Stock Compensation Plan.
10.32(3)*	NutraCea 2005 Equity Incentive Plan.
10.33(20)*	Form of Non-Employee Director Stock Option Agreement under the NutraCea 2005 Equity Incentive Plan.
10.34(22)*	Form of Stock Option Agreement for NutraCea 2005 Equity Incentive Plan.
10.35(21)*	Form of Restricted Stock Grant Agreement for NutraCea 2005 Equity Incentive Plan.
10.36(20)*	Stock Option Agreement dated February 8, 2007 between NutraCea and Leo Gingras.
10.37(22)*	Form of Stock Option Agreement for Stock Options Granted to Bradley Edson, Leo Gingras and Kody Newland on January 8, 2008.
10.38(22)*	Form of Stock Option Agreement for Stock Options Granted to Todd Crow and Margie Adelman on January 8, 2008.
10.39(12)*	Warrant Agreement between NutraCea and Steven Saunders dated February 27, 2006.
10.40(17)*	Form of Non-statutory Stock Option Agreement between NutraCea and the non-employee members of the Board of Directors dated May 23, 2006.
10.41(5)*	Form of Non-statutory Stock Option Agreement between NutraCea and the non-employee members of the Board of Directors dated May 1, 2007.
10.42(34)	Asset Purchase Agreement with Kerry Inc. dated February 11, 2010.
10.43(34)*	NutraCea 2010 Equity Incentive Plan.
10.44(29)	Stipulation and Agreement of Settlement dated May 17, 2010.
10.45(30)*	Employment Agreement with Jerry Dale Belt dated June 8, 2010.
10.46(31)*	Third Amendment to Employment Agreement with W. John Short dated July 2, 2010.
10.47(31)*	First Amendment to Employment Agreement with Leo Gingras dated July 2, 2010.
10.48(33)+	Nutra SA, LLC Membership Interest Purchase Agreement dated December 29, 2010.
10.49(33)	Form of Investor Rights Agreement.
10.50(33)	Employment Agreement with Colin Garner dated September 1, 2010.
10.51(34)*	Form of Amended and Restated Limited Liability Company Agreement for Nutra SA, LLC.
10.52(35)*	Employment Agreement between NutraCea and Kody Newland dated March 3, 2010.

21.01	List of subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney (See signature page).
31.1	Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

± Confidential treatment granted as to certain portions.
+ Confidential treatment requested as to certain portions.
* Indicates a management contract or compensatory plan, contract or arrangement in which any Director or any Executive Officer participates.

(1) incorporated herein by reference to exhibits previously file on registrant's Current /Report on Form 8-K, filed on October 4, 2007.
(2) incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-KSB, filed on April 16, 2002.
(3) incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form SB-2, filed on November 18, 2005.
(4) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-QSB, filed on November 19, 2003.

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(5) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-Q, filed on August 14, 2007.
(6) incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form SB-2, filed on June 4, 2002.
(7) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on October 4, 2005.
(8) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on May 15, 2006.
(9) incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form SB-2, filed on June 12, 2006.
(10) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on June 25, 2007.
(11) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on February 20, 2007.
(12) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-QSB, filed on May 15, 2006.
(13) incorporated herein by reference to exhibit 4.2 to the Current Report on Form 8-K filed by Vital Living, Inc. on December 19, 2003.
(14) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on June 1, 2007.
(15) incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-K, filed on April 2, 2007.
(16) incorporated herein by reference to exhibits previously filed on Registrant's Registration Statement on Form S-8, filed on November 18, 2003.
(17) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-QSB, filed on August 14, 2006.
(18) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on October 20, 2008.
(19) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on April 28, 2008.
(20) incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-K, filed on March 17, 2008.
(21) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-Q, filed on August 11, 2008.
(22) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-Q, filed on May 12, 2008.
(23) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on May 8, 2009.
(24) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on August 4, 2009.
(25) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on July 10, 2009.
(26) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on August 3, 2009.
(27) incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-K, filed on October 20, 2009.
(28) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on December 10, 2009.
(29)

incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on May 18, 2010.

(30) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on June 8, 2010.

(31) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on July 8, 2010.

(32) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on November 2, 2010.

(33) incorporated herein by reference to exhibits previously filed on Registrant's Current Report on Form 8-K, filed on January 5, 2011.

(34) incorporated herein by reference to exhibits previously filed on Registrant's Annual Report on Form 10-K, filed on February 24, 2011.

(35) incorporated herein by reference to exhibits previously filed on Registrant's Quarterly Report on Form 10-Q, filed on March 31, 2011.

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