

NUTRACEA  
Form 10-Q  
August 11, 2008

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2008

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

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

Commission File Number 0-32565

NUTRACEA

(Exact Name of Registrant as Specified in its Charter)

**California**

(State or other jurisdiction of  
incorporation or organization)

**87-0673375**

(I.R.S. Employer Identification No.)

**5090 North 40<sup>th</sup> St., Suite 400  
Phoenix, AZ**

(Address of Principal Executive Offices)

**85018**

(Zip Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer:", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (do not check if a smaller reporting company) Smaller reporting company

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

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 167,993,724 as of August 6, 2008.

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**FORM 10-Q**

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## **FORWARD-LOOKING STATEMENTS**

This quarterly report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words “may,” “could,” “will,” “estimate,” “intend,” “continue,” “believe,” “anticipate” or other similar words. The forward-looking statements contained herein reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Actual results may differ materially from those projected in such forward-looking statements due to a number of factors, risks and uncertainties, including the factors that may affect future results set forth in this Current Report on Form 10-Q and in our annual Report on Form 10-K for the year ended December 31, 2007. We disclaim any obligation to update any forward looking statements as a result of developments occurring after the date of this quarterly report.

**PART 1. FINANCIAL INFORMATION****Item 1. Financial Statements**

**NUTRACEA AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS**

	<b>June 30, 2008 (Unaudited)</b>	<b>December 31, 2007</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,067,000	\$ 41,298,000
Restricted cash	906,000	758,000
Trade accounts receivable, net of allowance for doubtful accounts of \$3,177,000 and \$2,999,000, respectively	4,270,000	2,346,000
Inventories	4,947,000	1,808,000
Notes receivable, net of allowance for doubtful notes receivable of \$573,000 and \$250,000, respectively	858,000	2,936,000
Deposits and other current assets	2,828,000	2,545,000
<b>Total current assets</b>	<b>29,876,000</b>	<b>51,691,000</b>
Restricted cash	3,248,000	1,791,000
Notes receivable, net of current portion	-	5,039,000
Property and equipment, net	43,317,000	19,328,000
Investment in joint ventures	11,786,000	1,191,000
Patents and trademarks, net of accumulated amortization	5,349,000	5,743,000
Other non-current	132,000	-
Goodwill	52,668,000	39,510,000
<b>Total assets</b>	<b>\$ 146,376,000</b>	<b>\$ 124,293,000</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 14,863,000	\$ 7,506,000
Deferred revenue	12,000	90,000
Note payable	23,000	23,000
<b>Total current liabilities</b>	<b>14,898,000</b>	<b>7,619,000</b>
Long-term liabilities:		
Long-term liabilities	7,350,000	-
Notes payable, net of current portion	64,000	77,000
<b>Total liabilities</b>	<b>22,312,000</b>	<b>7,696,000</b>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value, 350,000,000 shares authorized,	198,623,000	177,813,000

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167,744,000 and 144,108,000 shares issued and outstanding

Accumulated deficit	(74,061,000)	(61,216,000)
Foreign currency cumulative translation gain	(498,000)	-
Total shareholders' equity	124,064,000	116,597,000
Total liabilities and shareholder's equity	\$ 146,376,000	\$ 124,293,000

The accompanying notes are an integral part of these consolidated condensed financial statements.

**NUTRACEA AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>Three Months Ended June 30, 2008</b>	<b>Three Months Ended June 30, 2007</b>	<b>Six Months Ended June 30, 2008</b>	<b>Six Months Ended June 30, 2007</b>
<b>Revenues:</b>				
Product sales	\$ 10,314,000	\$ 7,996,000	\$ 15,425,000	\$ 9,993,000
Licensing fees	-	5,000,000	-	5,000,000
Total revenue	10,314,000	12,996,000	15,425,000	14,993,000
Cost of sales	7,277,000	3,863,000	12,071,000	4,976,000
Gross profit	3,037,000	9,133,000	3,354,000	10,017,000
<b>Operating expenses</b>				
Research and development expenses	738,000	170,000	1,002,000	291,000
Selling, general and administrative expenses	5,871,000	5,657,000	11,049,000	7,970,000
Professional fees	1,125,000	1,536,000	3,083,000	1,995,000
Total operating expenses	7,734,000	7,363,000	15,134,000	10,256,000
(Loss) income from operations	(4,697,000)	1,770,000	(11,780,000)	(239,000)
<b>Other income (expense)</b>				
Interest income	161,000	876,000	421,000	1,388,000
Interest expense	(365,000)	-	(485,000)	-
Gain on settlement	-	-	-	1,250,000
Loss on disposal of assets	(331,000)	(309,000)	(331,000)	(309,000)
Other expenses	(586,000)	-	(341,000)	-
Loss on equity investment	(63,000)	(250,000)	(80,000)	(250,000)
Total (loss) income before income tax	(5,881,000)	2,087,000	(12,596,000)	1,840,000
Income tax expense	(282,000)	(85,000)	(319,000)	(85,000)
Net (loss) income from continuing operations	(6,163,000)	2,002,000	(12,915,000)	1,755,000
Minority interest	70,000	-	70,000	-
Net (loss) income	\$ (6,093,000)	2,002,000	\$ (12,845,000)	\$ 1,755,000
<b>Basic and diluted (loss) earnings per share:</b>				
Basic (loss) income per share	\$ (0.04)	\$ 0.01	\$ (0.09)	\$ 0.01
Fully diluted (loss) income per share	\$ (0.04)	\$ 0.01	\$ (0.09)	\$ 0.01
Weighted average basic number of shares outstanding	151,867,000	136,257,000	145,545,000	118,952,000
Weighted average diluted number of shares outstanding	151,867,000	167,259,000	145,545,000	148,954,000



The accompanying notes are an integral part of these consolidated condensed financial statements.

