

NUTRACEA
Form 10-Q
August 14, 2007

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, 2007

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 40th 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, or a non-accelerated filer (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934). Large accelerated filer Accelerated filer Non-accelerated filer

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: 141,345,161 as of August 3, 2007.

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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, 2006. 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**

	June 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51,500,000	\$ 14,867,000
Restricted cash	545,000	-
Marketable securities	459,000	368,000
Trade accounts receivable, net of allowance for doubtful accounts of \$1,075,000 and \$20,000, respectively	8,075,000	7,093,000
Inventories	801,000	796,000
Notes receivable, net of discount, current portion	4,274,000	1,694,000
Deposits and other current assets	1,767,000	1,383,000
Total current assets	67,421,000	26,201,000
Notes receivable, net of current portion	5,216,000	682,000
Property and equipment, net	14,673,000	8,961,000
Investment in joint venture	1,250,000	-
Other intangible assets, net	5,616,000	5,097,000
Goodwill	39,372,000	32,314,000
Other non-current assets	12,000	-
Total assets	\$ 133,560,000	\$ 73,255,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,866,000	\$ 2,778,000
Accrual for contribution to related party joint venture	1,500,000	-
Deferred revenue	29,000	103,000
Total current liabilities	6,395,000	2,881,000
Commitments and contingencies		
Convertible, series B preferred stock, no par value, \$1,000 stated value, 20,000,000 shares authorized, 0 and 470 shares issued and outstanding	-	439,000
Convertible, series C preferred stock, no par value, \$1,000 stated value, 25,000 shares authorized, 2 and 5,468 shares issued and outstanding	2,000	5,051,000
Shareholders' equity:		

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Common stock, no par value 350,000,000 shares authorized, 140,217,953 and 103,977,715 shares issued and outstanding in 2007 and 2006, respectively	174,544,000	114,111,000
Accumulated deficit	(47,550,000)	(49,305,000)
Accumulated other comprehensive income, unrealized gain on marketable securities	169,000	78,000
Total shareholders' equity	127,163,000	64,884,000
Total liabilities and shareholders' equity	\$ 133,560,000	\$ 73,255,000

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

NUTRACEA AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006
Revenues:				
Net product sales	\$ 9,983,000	\$ 7,932,000	\$ 7,996,000	\$ 4,159,000
Royalty and licensing fees	5,010,000	16,000	5,000,000	7,000
Total revenue	14,993,000	7,948,000	12,996,000	4,166,000
Cost of goods sold	4,976,000	4,433,000	3,863,000	2,333,000
Gross margin	10,017,000	3,515,000	9,133,000	1,833,000
Research and development expenses	291,000	198,000	170,000	94,000
Selling, general and administrative expenses	7,970,000	2,852,000	5,657,000	1,348,000
Professional fees	1,995,000	434,000	1,536,000	101,000
Total operating expenses	10,256,000	3,484,000	7,363,000	1,543,000
Income (loss) from operations	(239,000)	31,000	1,770,000	290,000
Other income (expense)				
Interest income (net)	1,388,000	135,000	876,000	109,000
Gain on settlement	1,250,000	-	-	-
Loss on retirement of assets	(309,000)	-	(309,000)	-
Loss on equity investment	(250,000)	-	(250,000)	-
Total income before income tax	1,840,000	166,000	2,087,000	109,000
Income tax expense	(85,000)	-	(85,000)	-
Net income	\$ 1,755,000	\$ 166,000	\$ 2,002,000	\$ 399,000
Basic and diluted earnings per share:				
Basic income per share	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.00
Fully diluted income per share	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.00
Weighted average basic number of shares outstanding	118,952,000	68,808,000	136,257,000	71,792,000
Weighted average diluted number of shares outstanding	148,954,000	119,309,000	167,259,000	123,293,000

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

NUTRACEA AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006
Net income	\$ 1,755,000	\$ 166,000	\$ 2,002,000	\$ 399,000
Other comprehensive income:				
Unrealized gain (loss) on marketable securities	91,000	(13,000)	91,000	(5,000)
Net comprehensive income	\$ 1,846,000	\$ 153,000	\$ 2,093,000	\$ 394,000

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

NUTRACEA AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 30, 2007	June 30, 2006
Cash flow from operating activities:		
Net income	\$ 1,755,000	\$ 166,000
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	894,000	548,000
Provision for doubtful accounts	1,055,000	
Loss on retirement of assets	309,000	-
Stock-based compensation	1,263,000	540,000
Recognition of deferred income	(73,000)	-
Loss on equity investment	250,000	-
Net changes in operating assets and liabilities (net of effects of of Grainovations, Inc. acquisition and Vital Living, Inc. consolidation):		
Trade accounts receivable	(4,752,000)	(1,811,000)
Inventories	36,000	(258,000)