

NUTRACEA
Form 10QSB
August 14, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark one)

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

For the quarterly period ended June 30, 2006

☐ **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 Small Business Issuer as Specified in its Charter)

California

(State or other jurisdiction of incorporation or
organization)

87-0673375

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

**1261 Hawk's Flight Court, El Dorado Hills,
California**

(Address of Principal Executive Offices)

95762

(Zip Code)

Issuer's telephone number, including area code: (916) 933-7000

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 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: 73,824,801 as of June 30, 2006.

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

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FORWARD-LOOKING STATEMENTS

This document 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,” “expect,” “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

- increased competitive pressures from existing competitors and new entrants;
- increases in interest rates or our cost of borrowing or a default under any material debt agreements;
- deterioration in general or regional economic conditions;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- loss of customers or sales weakness;
- inability to achieve future sales levels or other operating results;
- the unavailability of funds for capital expenditures;
- lack of acceptance of our products;
- failure to obtain an adequate supply of raw rice bran;
- inability to collect accounts receivable;
- inability to process a sufficient quantity of stabilized rice bran to meet demands; and
- operational inefficiencies in distribution or other systems.

For a detailed description of these and other risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statement, please see our prior SEC filings, including our Annual Report on Form 10-KSB for the year ended December 31, 2005.

Index**PART 1.****FINANCIAL INFORMATION****Item 1.****Financial Statements****NUTRACEA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	June 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
Current assets:		
Cash	\$ 14,759,267	\$ 3,490,556
Marketable securities	138,623	144,947
Trade accounts receivable	4,325,665	2,514,961
Inventories	852,815	594,614
Notes receivable, current	300,000	-
Deposits and other current assets	96,567	82,400
Total current assets	20,472,937	6,827,478
Restricted marketable securities	138,623	144,947
Notes receivable, long-term	500,000	-
Property and equipment, net	7,032,012	5,493,036
Patents and trademarks, net	5,450,200	2,417,815
Goodwill	31,939,012	32,581,007
Total assets	\$ 65,532,784	\$ 47,464,283
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,303,061	\$ 1,255,032
Notes payable, current portion	5,563	6,069
Total current liabilities	3,308,624	1,261,101
Long-term liabilities:		
Notes payable, net of current portion	5,871	8,906
Total liabilities	3,314,495	1,270,007
Commitments and contingencies		
Convertible, series B preferred stock, no par value, \$1,000 stated value 25,000 shares authorized, 5,425 and 7,850 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively	4,875,500	7,300,500
Convertible, series C preferred stock, no par value, \$1,000 stated value 25,000 shares authorized, 17,560 and 0 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively	15,972,353	-
Shareholders' equity		

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Common stock, no par value 200,000,000 shares authorized, 73,824,801 and 67,102,079 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively	92,106,964	89,783,817
Accumulated deficit	(48,633,774)	(48,799,935)
Accumulated other comprehensive income, unrealized loss on marketable securities	(2,102,754)	(2,090,106)
Total shareholders' equity	62,218,289	46,194,276
Total liabilities and shareholders' equity	\$ 65,532,784	\$