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10 **UNITED STATES BANKRUPTCY COURT**
11 **DISTRICT OF ARIZONA**

12 In re:	Chapter 11
13	
14 NUTRACEA, a California corporation,	2:09-bk-28817-CGC
15 Debtor.	

16
17 **DISCLOSURE STATEMENT ACCOMPANYING FIRST AMENDED PLAN OF**
18 **REORGANIZATION PROPOSED BY DEBTOR AND THE UNSECURED**
19 **CREDITORS COMMITTEE DATED AUGUST 10, 2010**

20 **I. INTRODUCTION**

21 On November 10, 2009 (the "**Petition Date**"), Debtor filed its voluntary petition under
22 Chapter 11 of Title 11 of the United States Code (the "**Code**"). This Disclosure Statement is
23 submitted in support of the First Amended Plan of Reorganization dated August 10, 2010 (the
24 "**Plan**"), proposed by Debtor and the Official Committee of Unsecured Creditors (the
25 "**Committee**"). A copy of the Plan is attached as Exhibit "A." Capitalized terms used in this
26 Disclosure Statement have the meanings attributed to them in the Plan and/or in the Code.
Debtor and the Committee are sometimes referred to below as the "**Proponents**".

1 **II. OVERVIEW AND RECOMMENDATION OF THE PROPONENTS**

2 Under the Plan, Debtor will obtain funds by selling certain of its assets, including: (a) the
3 real property and improvements located at 4502 West Monterosa Street, in Phoenix, Arizona, that
4 are owned by Debtor’s wholly-owned subsidiary, NutraPhoenix, LLC; (b) the real property and
5 improvements located in Dillon, Montana; and, (c) certain excess equipment. Debtor will also
6 obtain funds through: (a) a secured loan or equity sale; (b) a loan to or equity sale by its wholly-
7 owned Nutra SA, LLC, subsidiary; or, (c) a loan secured by, or a sale of a portion of, its 80%
8 ownership interest in, Rice Science, LLC and/or its 50% interest in Rice Rx, LLC. These funds
9 will be used to pay all Allowed Claims on or after the Effective Date, as detailed in the Plan, with
10 all payments anticipated to be completed by January 15, 2012. Payments to creditors must meet
11 certain benchmarks and will be overseen by a Plan Agent. Debtor’s shareholders will retain their
12 stock and their legal, equitable and contractual rights will not be altered, although previously
13 authorized shares may be issued.

14 The Proponents recommend that the Plan be accepted and approved because it provides
15 for the payment in full of all unsecured claims, with interest, while preserving the rights and
16 interests of shareholders, preserving the jobs of Debtor’s employees, and providing a platform for
17 the continued growth and expansion of Debtor’s business. The alternative to the plan is a forced
18 liquidation of Debtor’s assets, which would result in a reduced return to shareholders, the layoff
19 of Debtor’s employees, and the loss of any opportunity for future growth and expansion.

20 **A. GENERAL INFORMATION REGARDING THE PLAN AND**
21 **DISCLOSURE STATEMENT**

22 This Disclosure Statement is intended to provide you with sufficient information about
23 Debtor and the Plan to make an informed decision in exercising your right to accept or reject the
24 Plan. This Disclosure Statement will be used to solicit acceptances of the Plan only after the
25 Bankruptcy Court has entered an Order approving this Disclosure Statement as containing
26 adequate information. Approval of the Disclosure Statement by the Bankruptcy Court is not an
opinion or ruling on any other merits of this Disclosure Statement and it does not mean that the
Plan has been approved, or will be approved, by the Bankruptcy Court.

 The Bankruptcy Court will conduct a hearing on _____ at ____ (the
“Confirmation Hearing”) on the Plan at the United States Bankruptcy Court, 230 North First

1 Avenue, Courtroom 601, 6th floor, Phoenix, Arizona 85003. At the Confirmation Hearing, the
2 Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Code.
3 The Bankruptcy Court also will receive and consider a ballot report prepared by Debtor that will
4 tally the votes accepting or rejecting the Plan. Accordingly, all votes properly and timely cast are
5 important because they can determine whether the Plan will be confirmed. Once confirmed, the
6 Plan is binding on all Creditors and other parties in interest in this case regardless of whether any
7 particular Creditor or shareholder votes to accept the Plan.

8 **THIS DISCLOSURE STATEMENT IS NOT THE PLAN. FOR THE**
9 **CONVENIENCE OF CREDITORS AND HOLDERS OF EQUITY**
10 **INTERESTS, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE**
11 **STATEMENT. ALL SUMMARIES ARE QUALIFIED IN THEIR**
12 **ENTIRETY BY THE PLAN ITSELF. IN THE EVENT OF ANY**
13 **INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND**
14 **THE PLAN, THE PLAN WILL CONTROL.**

15 **B. REPRESENTATIONS REGARDING THIS DISCLOSURE STATEMENT**

16 This Disclosure Statement has not been subjected to a certified audit or other independent
17 review. It has been prepared primarily from information provided by Debtor. Debtor has
18 attempted to insure that all such information is accurate. The Committee has not participated in
19 formulating the description of Debtor's business, its background, the factors leading to
20 bankruptcy or Debtor's projections and other financial data and, therefore, the Committee takes
21 no position with respect to any such assertions. Other than as stated in this Disclosure Statement,
22 the Proponents have not authorized any representations or assurances concerning Debtor's
23 business or assets. In deciding whether to accept or reject the Plan, you should not rely on any
24 information relating to Debtor or the Plan other than the information contained in this Disclosure
25 Statement or the Plan. You should report any unauthorized representations or inducements to
26 counsel for the Proponents, who may present such information to the Bankruptcy Court for such
action as may be appropriate. This Disclosure Statement is a solicitation by the Proponents only,
and not by their Professionals.

C. WHO IS ENTITLED TO VOTE

If you hold an Allowed Claim that is "impaired" under the Plan, you are entitled to vote to
accept or reject the Plan. To be entitled to vote, your Claim also must be "allowed" as set forth in

1 Section 502 of the Code or temporarily allowed as set forth in Rule 3018(a), Federal Rules of
2 Bankruptcy Procedure. Section 1126(f) of the Code permits you to vote to accept or reject the
3 Plan only if your Claim is impaired. Holders of impaired Equity Interests also have voting rights.

4 1. Allowed Claims

5 You have an Allowed Claim if: (i) you timely filed a proof of Claim and no one objected
6 to it; (ii) you timely filed a proof of Claim, an objection was filed, and the Bankruptcy Court
7 overruled the objection and allowed your Claim; (iii) your Claim was listed by Debtor in the
8 schedules it filed with the Bankruptcy Court (including any amendments thereto) as liquidated,
9 non-contingent and undisputed and no one objected to it; or (iv) your Claim was listed by Debtor
10 in the schedules it filed with the Bankruptcy Court (including any amendments thereto) as
11 liquidated, non-contingent and undisputed, an objection was filed, and the Bankruptcy Court
12 overruled the objection and allowed your Claim. If your Claim is not an Allowed Claim, it is a
13 Disputed Claim, and you will not be entitled to vote on the Plan unless and until the Bankruptcy
14 Court temporarily or provisionally allows your Claim for voting purposes pursuant to Rule 3018,
15 Federal Rules of Bankruptcy Procedure. If you are uncertain regarding the status of your Claim,
16 you should check the Bankruptcy Court records carefully, including the schedules and any
17 amendments thereto. You should seek appropriate legal advice if you have any dispute with
18 Debtor about your Claim. Neither the Proponents nor their Professionals can advise you about
19 such matters.

20 2. Impaired Claims and Equity Interests

21 Allowed Claims and Equity Interests are deemed impaired if the holders' legal, equitable,
22 or contractual rights are altered in any manner by the Plan or, in the case of Allowed Claims, if
23 they will not be paid in full under the Plan. The Plan states whether each Class of Claims or
24 Equity Interests is impaired. Holders of Claims or Equity Interests that are not impaired are
25 deemed to have accepted the Plan. Holders of Claims or Equity Interests that are not entitled to
26 receive or retain any property under the Plan on account of such Claims or Equity Interests are
deemed to have rejected it.

1 Security holders under the Plan is the best alternative for them and recommend that the holders of
2 Allowed Claims and Equity Interests vote in favor of the Plan.

3 **III. GENERAL INFORMATION AND BACKGROUND**

4 **A. DEBTOR'S BUSINESS**

5 1. Debtor is a publicly traded company. It was incorporated in the State of
6 California on March 18, 1998. Its corporate headquarters and principal place of business are
7 located in Phoenix, Arizona.

8 2. Debtor is a health science company whose proprietary intellectual property allows
9 it to process and convert raw rice bran, one of the world's most underutilized food resources, into
10 stabilized rice bran ("**SRB**"), a highly nutritious ingredient. SRB is used in various food products
11 and is also a key component of many patented and proprietary formulations used in nutritional
supplements.

12 3. SRB is also used as a stand-alone product with a domestic and international
13 market. It is used in food supplements and medical foods, or "Nutraceuticals," which provide
14 health benefits for people and animals. The Nutraceutical products are based on SRB, SRB
15 derivatives, and rice-bran oil ("**RBO**").

16 4. Debtor combines manufacturing, product development and marketing of a variety
of products based upon the use of SRB and rice bran formulations.

17 5. In February 2008, Debtor, acting through its wholly owned subsidiary, Nutra S.A.,
18 acquired 100% ownership of Industria Riograndens De Oleos Vegetais Ltda. ("**Irgovel**"), a
19 Brazilian company that operates an RBO manufacturing facility in Pelotas, Brazil. At the same
20 time, Debtor began reporting in two business segments: (a) the NutraCea Segment, which
21 manufactures and distributes ingredients primarily derived from SRB; and, (b) the Irgovel
22 Segment, which manufactures RBO and fatted and defatted SRB products.

23 6. The NutraCea Segment is primarily engaged in the manufacturing of SRB at four
24 locations in California and Louisiana. The SRB is either sold in bulk or used in the custom
25 manufacturing of various grain-based products. The custom manufacturing takes place primarily
at the Dillon, Montana facility.

1 7. The NutraCea Segment has specialized processing equipment and techniques for
2 production of rice bran products. Debtor believes that these manufacturing capabilities are
3 unique among grain processors. In May 2008, Debtor was granted USDA/FSIS approval to use
4 SRB as an enhancer in meat products.

5 8. The Irgovel segment manufactures RBO and defatted rice bran products for both
6 human and animal food products, which are sold in Brazil and internationally. Irgovel owns the
7 largest rice bran processing facility in South America and is the only Brazilian company to
8 produce RBO for human consumption.

9 9. Debtor has approximately 58 full-time employees in the United States, and its
10 Nutra SA subsidiary has approximately 223 full-time employees in Brazil.

11 10. Debtor's facilities include the following:

12 a. West Sacramento, California. This site consists of a leased 28,000-square foot
13 warehouse and distribution facility along with company-owned equipment installed
14 in a third-party rice mill for the production of SRB.

15 b. Arbuckle, California. This site consists of company-owned equipment installed in
16 a third party rice mill for the production of SRB.

17 c. Mermentau, Louisiana. Debtor owns this site, including the land, building, and
18 equipment. This is a Stage 1 facility at which SRB and branded equine nutrition
19 products are produced.

20 d. Lake Charles, Louisiana. Debtor leases this site but owns the building and
21 equipment. This is a Stage 1 facility that is not currently in use at which SRB and
22 branded equine nutrition products will or may be produced.

23 e. Dillon, Montana. Debtor owns this site, including the land, building, and
24 equipment. This is a Stage 2 facility that produces solubles and fiber fractions
25 from SRB for infant cereals and commercial flours. This facility is referred to
26 below as the "**Dillon Facility**".

 f. Phoenix, Arizona Plant. Debtor's wholly-owned subsidiary, NutraPhoenix, LLC,
owns this site, including the land and building. This plant is referred to below as
the "**Phoenix Facility**".

1 g. Scottsdale, Arizona Headquarters. Debtor leases approximately 12,290 square feet
2 of executive office space in Scottsdale, Arizona.

3 h. Pelotas, Brazil. Debtor's wholly-owned subsidiary, Nutra SA, owns all
4 outstanding shares of Irgovel, which in turn owns a large production facility in
5 Pelotas, Brazil, including the building, land, and equipment. This plant produces a
6 number of products, including rice oil and defatted rice bran and also has bottling
7 capabilities that it uses for its own products.

7 **B. FACTORS LEADING TO DEBTOR'S BANKRUPTCY**

8 **1. Business Factors**

9 a. Beginning in 2005, when Debtor merged with RiceX, it had two primary
10 technologies. One was a proprietary machine that stabilizes raw rice bran and the other was a
11 patented process for treating SRB to separate fiber from water-soluble fractions.

12 b. The initial business plan for SRB was to continue selling it to the high-end equine
13 market and to begin selling it to the human food industry. The latter was not immediately
14 successful due to the long R&D cycle time and because SRB was a novel ingredient.

15 c. The initial business plan for solubles was to market them for use as a humanitarian
16 food aid. Several field tests were conducted, with positive results, but the relatively high cost
17 made it impossible to develop a substantial market.

18 d. In attempting to execute the initial business plan, Debtor made significant
19 investments in U.S. plant infrastructure. However, the lead times required to get the product to
20 market were underestimated and the investment was poorly located because the U.S. market
21 represents less than 2% of worldwide rice production.

22 e. Debtor is developing a new business model using a number of new approaches to
23 better extract commercial value from SRB, and is also exploring the possibility of relocating its
24 technologies to the world's major rice producing locations and forming joint ventures with
25 existing food companies in those markets.
26

1 **2. Litigation Factors**

2 a. On February 23, 2009, Debtor announced that its Audit Committee, composed of
3 independent outside directors, had commenced a review of certain accounting and reporting
4 practices. Based on the preliminary findings of this review, the Board determined that two
5 transactions in 2007 were incorrectly recorded, and that the 2007 financial statement and the
6 2007 and 2008 quarterly reports would need to be restated. On April 23, 2009, Debtor issued
7 another press release, stating that the Audit Committee had expanded its review and that Debtor
8 would restate two additional transactions and its 2006 annual and Q4 financial statements. On
9 October 21, 2009, Debtor announced the completion of its review and its restatement of financial
results for 2006, 2007 and the first three quarters of 2008.

10 b. On February 27, 2009, a class action lawsuit asserting claims under state and
11 federal securities law was filed against Debtor and two of its former officers and directors. A
12 second securities class action lawsuit was filed on April 27, 2009. The lawsuits were
13 subsequently consolidated under Case No. CV-09-00406-PHX-FJM (the “**Class Action**
14 **Litigation**”), which remains pending in the United States District Court for the District of
15 Arizona. Plaintiffs allege that Debtor misled investors by improperly accounting for certain
transactions and overstating its revenues.

16 c. In March of 2009, Debtor was advised that the Securities Exchange Commission
17 (“**SEC**”) had commenced a formal investigation (the “**SEC Investigation**”) of potential
18 violations of the antifraud provisions and the reporting and record keeping requirements of the
19 Securities Exchange Act of 1933 and the Securities Exchange Act of 1934. Debtor has
cooperated fully with the SEC in regard to the SEC Investigation. The investigation is ongoing.

20 d. On March 30, 2009, a consolidated derivative action was filed in the Superior
21 Court of Arizona, Maricopa County, Case No. CV2009-051495 (the “**Derivative Action**”), in
22 which plaintiffs asserted claims on behalf of Debtor against its board and certain former members
23 of management for breach of fiduciary duty, abuse of control, gross mismanagement, waste and
unjust enrichment.

24 e. Debtor was also involved in litigation with its Louisiana landlord concerning the
25 ground lease of its Lake Charles production facility and a related warehouse lease. The landlord
26

1 was seeking, among other things, to terminate both leases. Debtor removed the lawsuit to the
2 United States District Court for the Western District of Louisiana, Case No. 2:09-cv-01253 (the
3 “**Louisiana Litigation**.”

4 f. Lastly, Debtor is a party to an action by certain subcontractors and materialmen
5 who provided labor and materials used in the construction of the Phoenix Facility. The lawsuit
6 was filed in the Superior Court of Arizona, Maricopa County, Case No. CV2009-013957 (the
7 “**Mechanics’ Lien Litigation**”). Plaintiffs seek to recover the fair value of the labor and materials
8 they provided to the project and to foreclose their mechanics and materialmen’s liens. Although
9 the facility is owned by Debtor’s wholly-owned subsidiary, NutraPhoenix, LLC, Debtor was
10 named as a defendant because it was one of the contracting parties.

11 g. These litigation factors placed a huge administrative and financial burden on
12 Debtor and made it impossible to raise new funds. All litigation against Debtor has now been
13 stayed, and all litigation other than the mechanics’ lien foreclosure action has now been settled,
14 as discussed below.

15 **3. Financing Factors**

16 Prior to its bankruptcy filing, Debtor relied upon financing provided by Wells Fargo
17 Bank, N. A., acting through its Business Credit operating division (“**Wells Fargo**”) for much of
18 its working capital needs. The financing was secured by a lien on substantially all of Debtor’s
19 personal property, exclusive of intellectual property, and by a deed of trust against the Phoenix
20 Facility. In July of 2009, Wells Fargo declared a default and refused to make any further
21 advances, thus creating a cash crisis and severely interrupting Debtor’s business. As of the
22 petition date, approximately \$3.6 million was owed to Wells Fargo. Debtor was eventually able
23 to negotiate debtor-in-possession financing with Wells Fargo, as discussed below.

24 **C. DEBTOR’S ASSETS**

25 The following is a summary of Debtor’s assets as of June 4, 2010:

- 26 1. Cash. Debtor had approximately \$1,020,000 in cash.
2. Accounts Receivable. Debtor had approximately \$1,141,000 in accounts
receivable, of which it estimates that \$1,068,000 is collectible.
3. Inventory. Debtor had approximately \$1,580,000 in inventory, at cost.

1 4. Personal property and equipment (“PP&E”). Debtor has approximately
2 \$17,152,000 in personal property and equipment, at book value.

3 5. Real Property and Improvements. Debtor has approximately \$6,824,000 in real
4 property and improvements, at book value. Debtor has listed the Phoenix Facility for sale at \$6.2
5 million and the Dillon Facility at \$5.0 million.

6 6. Nutra SA Subsidiary. Nutra SA’s subsidiary, Irgovel, was appraised in April of
7 2010 by Lakeshore Financial Advisors at between \$16,305,000 and \$18,434,000.

8 7. Rice Science and Rice Rx. These affiliates, which are 80% and 50% owned by
9 Debtor, were appraised in June of 2010 by Columbia West Capital at between \$6.6 million and
10 \$32.2 million, collectively.

11 8. Potential Litigation Claims.

12 a. Preservation and Pursuit of Claims. Debtor has not actively pursued affirmative
13 litigation claims during this case and, to the extent that such claims are not filed prior to the
14 Effective Date, has reserved them for prosecution by the Reorganized Debtor. Under the Plan,
15 the Reorganized Debtor is Debtor’s successor-in-interest to *all* claims or actions that were or
16 could have been brought by Debtor. **All of those against whom Debtor may have claims are
17 placed on notice that it is the express intent of the Plan that all claims and causes of actions
18 of Debtor shall be preserved and shall not be deemed compromised or adjudicated by the
19 Confirmation Order or any actions taken to implement the Plan.**

20 b. Avoidance Actions. The potential litigation claims include, without limitation,
21 avoidance actions pursuant to Sections 502, 542, and 544-550 of the Code, such as claims for
22 avoidable preferences and fraudulent transfers. Debtor has filed, as an attachment to its
23 Statements of Financial Affairs, a list of all parties who received payments aggregating more than
24 \$600 within the 90-day period prior to the bankruptcy filing. All parties identified on such list,
25 and all parties who received relevant transfers that are not on the list, including without limitation
26 any insider who received a transfer within the 1-year period prior to the bankruptcy filing, are
hereby notified that Debtor reserves the right under the Plan to commence an action pursuant to
Sections 547 and 550 of the Code to avoid and recover any or all of these payments to the extent
that they constitute avoidable preferences. The Reorganized Debtor may also pursue claims

1 against any party that received a fraudulent transfer within the meaning of state or federal law,
2 including, without limitation, Section 548 of the Code, and all such claims and causes of action
3 are preserved under the Plan. However, because Debtor is solvent, it does not anticipate pursuing
4 any preference actions.

5 c. Potential Claims against Former Management and Professionals. Debtor discloses
6 that it intends to investigate potential claims against certain members of Debtor's former
7 management and others involved in Debtor's financial affairs, and that it may pursue claims or
8 causes of action against them and may assert objections and defenses to any claims filed by them,
9 or related parties, against Debtor or its estate. Those whose conduct may be investigated include,
10 without limitation, Bradley D. Edson, Todd C. Crow, Ike Lynch, IEL Consulting, LLC, Margie
11 Adelman, and Adelman PR, Inc.. The potential claims and defenses include, without limitation,
12 breach of fiduciary duty, gross negligence, simple negligence, unjust enrichment, conversion,
13 constructive trust, fraudulent concealment, aiding and abetting tortious conduct, fraudulent
14 transfer and negligent failure to disclose. All such claims and causes of action are preserved
15 under the Plan. Debtor has not yet investigated any such claims and defenses and expresses no
16 opinion as to whether any such claims or defenses exist or would be cost-effective to pursue. The
17 disclosure that claims or defenses may exist should not be construed as an allegation that any of
18 the foregoing individuals or entities engaged in misconduct or wrongdoing.

19 d. Claims arising from the Purchase of Irgovel. Debtor discloses that it intends to
20 pursue claims arising from its purchase of Irgovel. Debtor contracted to purchase Irgovel from its
21 eleven shareholders ("**Sellers**") on or about January 31, 2008. The base purchase price of
22 \$14,080,000 was subject to a number of upward and downward adjustments. \$2,022,817 was
23 escrowed as collateral for potential contingent liabilities. In addition, payment of 5% of the
24 purchase price was delayed and made subject to offset for specified losses suffered by Irgovel.
25 After the closing, a number of disputes arose between Debtor and Sellers concerning their respective
26 obligations under the Purchase Agreement including, without limitation, the amount of specified
losses and contingent liabilities, the adjusted amount of the second installment of the purchase price,
and the manner in which the escrowed funds should be disbursed. In addition, a former
shareholder of Irgovel, David Resyng ("**Resyng**"), sued Sellers and Irgovel in Brazil and

1 obtained a judicial order prohibiting any payments from the escrow. This has had the effect of
2 preventing Debtor from discharging the obligations that the escrowed funds had been set aside
3 for, including, without limitation, two wrongful death judgments. Debtor anticipates continuing
4 to defend the lawsuit filed by Resyng, arbitrating certain claims arising under the Purchase
5 Agreement and filing lawsuits in the United States and Brazil for fraud, misrepresentation, and
6 other misconduct associated with the sale. Debtor will also seek injunctive relief regarding the
7 escrowed funds. The potential defendants include, without limitation, Resyng, Osmar Teixeira
8 do Amaral Brito, Newman Teixeira do Amaral Brito, Edilson Teixeira do Amaral Brito, Darlan
9 Teixeira do Amaral Brito, Samuel Amaral Brito Junior, Darlene do Amaral Brito Costa, Maria
10 Zenia Amaral Brito Vilela, Maria Helena Amaral Brito Ferreira, Candida Maria Teixeira do
11 Amaral Brito, Helena Teixeira Brito E Aldomiro Pereira Faleiro, Maria de Fatima Teixeira do
12 Amaral Brito, and the Brazilian corporation Etron.

13 e. Claims against Wellness Watchers. Debtor discloses that it intends to pursue
14 claims against Wellness Watchers Global, LLC for unpaid purchase orders from 2007 and 2008
15 in the total principal amount of not less than \$1,440,395.60, plus accrued and accruing interest,
16 costs and attorneys' fees. Demand for payment has been made and refused, and a lawsuit was
17 filed against Wellness Watchers in early August, 2010.

18 **IV. DEBTOR'S SENIOR MANAGEMENT AND BOARD**

19 **A. W. John Short, CEO/Chairman of the Board**

20 1. Mr. Short joined Debtor in July of 2009 as its president, and was promoted to
21 CEO and Chairman of the Board of Directors in October of 2009. For twenty-five years before
22 that, he held senior positions with consumer products and financial services businesses in North
23 America, South America, Asia and Europe. He served as President and COO of Hong Kong-
24 based Esprit Far East Ltd.; CEO of Dusseldorf-based Esprit Europe; CEO of San Francisco-based
25 global licensing company Esprit International; CEO/President and COO of Joe Boxer, Inc.; and,
26 EVP North America of Miami-based Sunglass Hut International.

2. Before that, he spent more than a decade in corporate banking, government
lending and private lending with Citibank in New York, Venezuela, Ecuador and Hong Kong.

1 3. Under the terms of his Employment Agreement, as amended and supplemented,
2 (which will be assumed on the Effective Date of the Plan), Mr. Short receives an annual base
3 salary of \$300,000, which will increase to \$350,000 on July 1, 2010, and to \$375,000 on the
4 Effective Date. He also receives annual bonuses, if any, earned under Debtor's annual bonus
5 programs. The targeted amount of such bonuses is 75% of base salary. Mr. Short also received
6 three options to purchase a total of 5 million shares of Debtor's stock under Debtor's 2005 Equity
7 Incentive Plan, with staggered vesting dates. He also receives other benefits under the
8 Employment Agreement that are generally available to Debtor's employees. Mr. Short will also
9 receive cash bonuses and stock options under Debtor's 2010 Employee Incentive Plan, a
summary of which is provided in Section VI(C)(10) below.

10 4. Under the terms of his Employment Agreement, Mr. Short has earned an
incentive-based bonus of \$100,000, which will be paid on the Effective Date of the Plan.

11 **B. Leo Gingras, COO/President**

12 1. Mr. Gingras joined Debtor in 2007 as its Chief Operating Officer. Before that, he
13 served as Vice President of Soy Processing and Technical Services at Riceland Foods, Inc., a
14 large farmer-owned cooperative engaged in the processing and marketing of rice, soybeans and
15 wheat with annual sales of \$1.4 billion and a workforce of 1,800. Before moving to Riceland, he
16 was employed as Research and Development Manager at Lou Ana Foods, Inc., a company that
17 processes, packages and markets edible oils, with annual sales of \$120 million.

18 2. Mr. Gingras was promoted to President on February 25, 2010, and retains the
19 position and title of COO. He also serves as Corporate Secretary and is a Member of the Senior
20 Management Committee that is responsible for setting policy and direction for the company. He
21 directly oversees all operations, manufacturing and logistics for Debtor and its subsidiaries and
affiliates.

22 3. Mr. Gingras' duties include the following: (a) Managing global operations (U.S.
23 and Brazil); (b) assisting the CEO with strategic planning and business development issues,
24 including acquisitions, joint ventures and divestitures; (c) managing the R&D program; (d)
25 managing the IP control program; and, (e) negotiating supply and processing agreements.
26

1 4. Under the terms of his Employment Agreement, as amended and supplemented,
2 (which will be assumed on the Effective Date of the Plan), Mr. Gingras receives an annual salary
3 of \$275,000, which will be increased to \$300,000 on the Effective Date, together with annual
4 bonuses, if any, earned under Debtor's annual bonus program. The targeted amount of such
5 bonuses is 75% of base salary. Mr. Gingras also received the option to purchase 1.5 million
6 shares of Debtor's stock, with staggered vesting dates. He receives other benefits under the
7 Employment Agreement that are generally available to Debtor's employees. Mr. Gingras will
8 also receive cash bonuses and stock options under the 2010 EIP.

9 5. In return for the extension of his employment in July of 2009, Debtor agreed to
10 pay Mr. Gingras an extension bonus of \$100,000, with the first \$50,000 payable on November
11 30, 2009 and the second payable on March 31, 2010. The combined bonus will be paid on the
12 Effective Date of the Plan.

13 **C. J. Dale Belt, CFO**

14 1. Mr. Belt joined Debtor on June 15, 2010 as its CFO, CAO and EVP. Before that
15 he was a managing director of Sierra Consulting Group, LLC, which is serving as Debtor's
16 financial adviser in this bankruptcy case. Mr. Belt has thirty years experience in finance and
17 accounting in both public and private industry, including accounting and auditing, management
18 consulting, financial analysis, mergers and acquisitions, bankruptcy and construction bonding
19 issues. He is a Certified Public Accountant registered in Arizona and Kentucky, a Certified
20 Turnaround Professional and a Certified Insolvency & Restructuring Advisor.

21 2. Mr. Belt's significant professional and industry experience includes six-plus years
22 of conducting SEC audit engagements with the former Coopers & Lybrand (now
23 PricewaterhouseCoopers or "PwC") as well as fifteen years in senior management positions at
24 privately held enterprises. Management positions include treasurer, chief financial officer and
25 president. His industry experience includes, among other things, wholesale and retail food
26 manufacturing.

 3. Under the terms of his Employment Agreement, Mr. Belt receives an annual
salary of \$230,000, together with annual bonuses, if any, earned under Debtor's annual bonus
program. The targeted amount of such bonuses is 50% of base salary. Mr. Belt also received an

1 option to purchase 2.5 million shares of Debtor's stock, with staggered vesting dates, as part of
2 the 2010 EIP. He receives other benefits under the Employment Agreement that are generally
3 available to Debtor's employees. Mr. Belt will also receive cash bonuses and stock options under
4 the 2010 EIP.

5 **D. Board of Directors**

6 1. W. John Short. Mr. Short's biographical sketch is set forth above.

7 2. David Bensch has been a Director since March 2005. Before that, he was CEO of
8 Critical Home Care, a company he founded in 2000 and later merged with Arcadia Resources,
9 Inc. (OTC BB: ACDI). He was Executive Vice President and Director of Arcadia Resources from
10 May 2004 until his retirement in December 2004.

11 3. James C. Lintzenich has been a Director since October 2005. Before that he was a
12 Director of The RiceX Company, starting in June 2003. Before that, he was President and COO
13 of SLM Corporation (Sallie Mae). From December 1982 to July 2000, he held various senior
14 management and financial positions, including CEO and CFO of USA Group, Inc. He currently
15 serves on the Board of the Student Loan Marketing Association (an SLM Corp. subsidiary) and
16 the Lumina Foundation for Education, and he also serves as a management consultant to various
17 U.S. companies. .

18 4. Edward L. McMillan has been a Director since October 2005. He owns and
19 manages McMillan LLC, a transaction consulting firm. He was a Director of The RiceX
20 Company from July 2004 to October 2005. Before that, he worked for Agri Business Group Inc.
21 from August 1997 to April 1999. He was President and CEO of Purina Mills Inc., starting in
22 January 1988. Previously, he held a number of senior-level management positions for Purina
23 Mills and Ralston Purina, Inc. He currently serves on the boards of Balchem, Inc. (AMEX:BCP),
24 Durvet, Inc., Newco Enterprises, Inc., CHB LLC, and Hintzsche, Inc. He also serves as Chair of
25 the University of Illinois Research Park LLC and the University of Illinois Alumni Association.

26 5. Steven W. Saunders has been a Director since October 2005. From August 1998
to October 2005, he was a director of The RiceX Company. Mr. Saunders has been President of
Saunders Construction Inc. since February 1991. He is also President of Warwick Corporation, a
business-consulting firm.

1 6. Kenneth L. Shropshire has been a Director for approximately four years. He is a
2 professor at the Wharton School of the University of Pennsylvania and the Faculty Director of its
3 newly launched Wharton Sports Business Initiative. He is also president of the Sports Lawyers
4 Association. He previously served as counsel to Van Lierop, Burns & Bassett, LLP, and prior to
5 his teaching career was a practicing attorney in Los Angeles, California. He has been consultant
6 to a wide variety of well-known organizations that include the NCAA, NFL, MLB, United States
7 Olympic Committee, IBM, Clorox, and Fannie Mae. He is currently chairing City of
8 Philadelphia's stadium site selection committee that is assessing the city's possible bid for the
2024 Olympic Games.

9 7. John J. Quinn joined the Board in April of 2010. He is currently serving as
10 financial advisor to AStandard Life Insurance Company of Indiana, which is under the control of
11 the Indiana Department of Insurance. From 1998 through June 30, 2008, he was a partner with
12 PricewaterhouseCoopers LLP, and was managing partner of its Indianapolis office from 1999
13 through 2006. Before that, he performed financial consulting with several insurance, financial
14 services and high-tech startup companies. From 1993 to 1997 he served as an officer and
15 director of Standard Management Corporation, and from 1969 to 1993 he worked for Ernst &
Young, LLP, where he became a partner in 1981.

16 8. Compensation of the Board. Board members are paid \$40,000 per year for their
17 services, plus \$2,000 for each meeting that they attend in person and \$1,000 for each meeting that
18 they attend telephonically. Members of the Audit Committee receive \$4,000 per year and
19 members of all other committees receive \$2,000 per year. The chairpersons of each committee
20 are compensated as follows for their service on the committee and for serving as chairperson:
21 Executive Committee (James Lintzenich)--\$15,000 per year; Audit Committee (John Quinn)--
22 \$10,000 per year; Compensation Committee (Steven Saunders)--\$7,000 per year; and,
23 Nominating Committee (Kenneth Shropshire)--\$7,000 per year. In January 2010, each non-
24 employee Board member also received an option to purchase 250,000 shares of Debtor's
25 common stock, vesting over 12 months. Effective as of June 17, 2010, the Board changed its
26 meeting protocol to add monthly telephonic updates for the remainder of 2010 and all of 2011.
Directors will receive no payment for these telephonic updates, which will reduce the cash

1 demands on the Debtor. In connection with this reduction in cash demands, the Board approved
2 an additional grant, effective as of June 17, 2010, to each non-employee Board member of an
3 option to purchase 250,000 shares of Debtor's common stock under the 2010 Equity Incentive
4 Plan. The exercise price of all options granted to non-employee directors in 2010 is \$.20 per
5 share.

6 **V. SIGNIFICANT EVENTS DURING THE BANKRUPTCY CASES**

7 **A. First Day Motions**

8 As is typical in Chapter 11 cases, Debtor filed various motions at the outset of the case.
9 In those motions, Debtor requested: (i) authority to pay prepetition wages and related expenses of
10 its employees; (ii) authority to obtain Debtor-in-Possession financing from Wells Fargo (as
11 described below); (iii) authority to honor certain prepetition obligations to critical vendors
12 Louisiana Rice Mill, L.L.C. and Farmers' Rice Cooperative, in connection with postpetition rice
13 bran deliveries; and, (iv) authority to maintain four of its prepetition bank accounts and continue
14 to use its existing cash management system. All of these first day motions were granted by the
15 Court.

16 **B. The DIP Credit Facility**

17 1. Immediately prior to its bankruptcy filing, Debtor and Wells Fargo entered into a
18 Senior-Secured Superpriority Debtor-in-Possession Credit and Security Agreement, together with
19 certain related agreements, instruments, and documents (collectively the "**DIP Credit Facility**").
20 Under the DIP Credit Facility, Wells Fargo provided Debtor with up to \$6.75 million in credit
21 availability secured by substantially all of Debtor's assets (exclusive of owned intellectual
22 property) and subject to a \$500,000 carve-out from Debtor's Louisiana assets for professional
23 and statutory fees (the "**Carve-Out**").

24 2. The DIP Credit Facility includes a Revolving Credit Facility and a Term Loan
25 Facility. Under the Revolving Credit Facility, Wells Fargo provided Debtor with up to \$2.5
26 million in credit availability, determined by the amount of eligible accounts and inventory.
Under the Term Loan Facility, Wells Fargo provided Debtor with up to \$4.25 million in
additional credit availability, determined by the appraised value of its real estate, machinery and

1 equipment. There is currently no balance owing on the Revolving Credit Facility. A balance of
2 approximately \$1,759,837 is owing on the Term Loan Facility.

3 3. The Court approved the DIP Credit Facility on an interim basis on November 13,
4 2009 and on a final basis on December 8, 2009.

5 4. Debtor renewed the DIP Credit Facility when it matured on May 7, 2010. At the
6 same time, Wells Fargo agreed to extend the maturity of the Revolving Credit Facility through
7 December 31, 2010, subject to payment of a \$10,000 extension fee, and to expand the assets that
8 are subject to the Carve-Out. The extension and certain related amendments to the DIP Credit
9 Facility were approved by the Bankruptcy Court at a hearing on June 15, 2010.

10 5. Under the terms of the DIP Credit Facility, Debtor is required to pay Wells Fargo
11 a specified portion of any net proceeds realized from selling or monetizing its assets, subject to
12 the Carve-Out.

13 6. Pursuant to the terms of the DIP Credit Facility, Debtor stipulated to the validity,
14 extent, priority, perfection, and enforceability of Wells Fargo's prepetition loan and security
15 documents and waived all claims against Wells Fargo, including avoidance claims under 11
16 U.S.C. §§ 544-550. Other parties in interest, including the Committee, were given the right to
17 challenge the validity, extent, priority, perfection, enforceability and allowability of Wells
18 Fargo's prepetition loan and security documents, for a period of sixty days after formation of the
19 Committee. No such challenges were brought and, accordingly, the stipulations and waivers are
20 now binding on all parties in interest.

21 **C. Appointment of the Committee**

22 The Committee was appointed on November 19, 2009. The Committee is comprised of
23 Brycon Corporation; Trea, Inc.; Halperin Capital; Audio Visual Resources; Farmers Rice Milling
24 Company, Inc.; MSS Technologies, Inc.; and Wellington Foods, Inc.. The Committee retained
25 Jennings, Strouss & Salmon, P.L.C. as counsel and FTI Consulting, Inc. as its financial adviser.

26 **D. Sale of Infant Cereal Business**

1. On March 1, 2010, Debtor obtained court approval for the sale of its infant cereal
business to Kerry, Inc. for \$3,900,000 plus an additional \$272,192 for associated inventory. The
sale closed on March 13, 2010. The assets sold include the equipment, machinery, tools and

1 other assets used in the private label infant cereal business located at the Phoenix Facility,
2 together with the inventory located in the Dillon Facility. Debtor also transferred and assigned to
3 Kerry certain postpetition purchase orders and agreed to produce infant cereal products for it
4 under a Toll Processing Agreement until its new plant becomes operational.

5 2. The sale proceeds were used to pay down the Wells Fargo Term Loan by
6 approximately \$1.425 million and the Revolving Credit Facility by approximately \$900,000.
7 After payment of the bank debt and a finder's fee, escrow charges and legal expenses, Debtor
8 netted approximately \$1,575,000 from the sale, which was used or is available for use in its
9 operations.

10 3. Debtor chose to sell the infant cereal business in order to (a) exit a field dominated
11 by larger and better funded competitors, (b) satisfy its budgeted asset monetization goals, (c)
12 comply with the financial covenants in the DIP Credit Facility, and (d) make the Phoenix Facility
13 more marketable by removing the specialized machinery and equipment used in the production of
14 infant cereal.

15 **E. Sale of Equine Brands**

16 On April 12, 2010, Debtor obtained court approval to sell its Natural Glo, Satin Finish
17 and Max-E-Glo trademarks and the good will and other intellectual property rights associated
18 with them to Manna Pro Products, LLC, for \$650,000, plus an additional \$113,110 in associated
19 inventory and packaging material. As part of the same transaction, Debtor entered into a long
20 term supply agreement with Manna Pro, pursuant to which it will be its exclusive supplier of
21 SRB. After payment of escrow charges and legal expenses, Debtor netted approximately
22 \$753,438 from the sale, which was used or is available for use in its operations. Debtor chose to
23 sell these brands in order to exit a business in which it competed with its own customers, while
24 continuing to generate revenue of approximately \$1,800,000 per year from SRB sales under the
25 supply agreement.

26 **F. Settlement of Class Action Litigation**

As a result of a mediation conducted on April 7, 2010, the parties to the Class Action
Lawsuit entered into a settlement agreement pursuant to which Debtor's D&O Insurance carrier,
Carolina Casualty Insurance Company, will pay plaintiffs, in full satisfaction of their claims, \$1.5

1 million plus one-half of any unused proceeds of the insurance policy. The District Court granted
2 preliminary approval of the settlement on June 3, 2010 and set a hearing on final approval for
3 October 1, 2010. Debtor is confident that final approval will be granted at that time. Affected
4 investors have the right to opt-out of the settlement. If they do, they may assert claims against
5 Debtor, provided that they timely file a proof of claim. If Allowed, all such Claims will be
6 classified in Class 8(b) and will be subordinated to the level of common stock under Section

7 **G. Dismissal of Derivative Litigation**

8 On January 29, Debtor filed a motion to dismiss the Derivative Action on the grounds that
9 plaintiffs lack standing to pursue it. In response, plaintiffs dismissed the litigation without
10 prejudice on February 10, 2010.

11 **H. Settlement of Louisiana Litigation**

12 On January 28, 2010, Debtor filed a motion to assume the Lake Charles ground lease.
13 The landlord, FRM, initially opposed the motion, but ultimately consented to the assumption.
14 The defaults under the ground lease were promptly cured, and the Louisiana Litigation was
15 dismissed, insofar as it pertains to the ground lease. On May 28, 2010, Debtor filed a similar
16 motion to assume the Lake Charles warehouse lease and anticipates a similar result.

17 **I. Negotiations with the SEC**

18 As noted above, Debtor is the subject of an ongoing investigation by the SEC. Debtor has
19 produced voluminous documents and electronic data to the SEC and has otherwise cooperated in
20 the investigation. On March 2, 2010, Debtor received a "Wells Notice" advising it that SEC staff
21 had made a preliminary determination to recommend that the SEC bring a civil injunctive action
22 against Debtor for possible violations of the federal securities laws. In connection with that
23 action, the SEC may seek a permanent injunction and civil penalties against Debtor. Debtor is
24 continuing to cooperate with the SEC and is discussing alternatives with SEC staff, but is not in a
25 position at this time to provide any details concerning its discussions and negotiations with the
26 SEC. On May 5, 2010, the SEC filed a proof of claim in an unknown amount. In an attachment
to the proof of claim, it stated the following: "Based on an investigation of certain pre-
bankruptcy transactions and conduct involving the debtor, the United States Securities and

1 Exchange Commission ("SEC") may file a civil action against the debtor in an appropriate forum
2 for possible violations of federal securities laws. Such an action may result in a judgment against
3 the debtor for an unknown amount of penalties pursuant to Section 20(d) of the Securities Act of
4 1933, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Securities Exchange Act of 1934, 15 U.S.C.
5 § 78u(d)(3). Accordingly, the SEC files this protective Proof of Claim to preserve any relief to
6 which it may be entitled should a judgment be obtained against the debtor. The SEC reserves the
7 right to amend and supplement this claim as appropriate under the circumstances.”

7 **J. New Headquarters Lease**

8 On December 3, 2010, the Bankruptcy Court authorized Debtor to reject the unexpired
9 lease of its corporate headquarters space at 5090 N. 40th Street, Phoenix, Arizona, 85018,
10 effective as of November 30, 2009, and enter into a new two-year lease of substantially smaller
11 space at 6720 N. Scottsdale Road, Scottsdale, Arizona 85253. The move allowed Debtor to
12 reduce its monthly rent payments by approximately 83%, or \$100,000. As part of the move,
13 Debtor conducted a court-authorized auction of excess furniture and equipment, netting
14 approximately \$178,370.

14 **K. Improving Business Operations**

15 Most of Debtor's efforts since the bankruptcy filing have been devoted to reducing its
16 overhead and restructuring its business operations. Debtor has reduced its payroll and related
17 taxes by more than \$950,000 on an annualized basis and has reduced its cash overhead expenses
18 (excluding restructuring related expenses) by \$3,700,000 on an annualized basis. Its focus now is
19 on increasing its revenues, which it expects to achieve in the coming months as a result of the
20 reorganization of its sales department. Debtor's financial performance has improved
21 dramatically over the past three years, as reflected in the chart attached hereto as Exhibit "B".
22 The chart shows that Debtor lost an average of \$5.38 million per month in 2008, \$2.69 million
23 per month in 2009, and will have a projected loss of \$684,000 per month for 2010. Debtor
24 anticipates that its financial performance will continue to improve in 2011 and beyond as
25 reflected in Exhibit "D". A cash flow variance analysis that details Debtor's post petition
26 operating results is attached hereto as Exhibit "C" and a cash flow projection for the next twenty-

1 four months is attached hereto as Exhibit "D". In addition, Debtor's monthly operating reports
2 filed with the Bankruptcy Court are available for review on its website: www.nutracea.com.

3 **L. Employment of Professionals**

4 With the approval of the Bankruptcy Court, Debtor and the Committee employed the
5 professionals described below to perform the specified services. Except as otherwise noted, all
6 professionals will be compensated for their services at the rates approved by the court, and must
7 obtain court approval before any payment is made for services rendered prior to the Effective
8 Date. Those professionals who continue to represent Debtor after the Effective Date will no
9 longer be required to obtain court approval for payment of services rendered after the Effective
10 Date. The payment of professionals employed on a fixed fee basis is subject to the Court's right
11 of review under Section 328(a) of the Code.

12 1. Forrester & Worth, PLLC. Debtor retained Forrester & Worth, PLLC to serve as
13 general bankruptcy counsel.

14 2. Sidley Austin LLP. Debtor retained Sidley Austin LLP as special counsel to
15 represent it in the securities Class Action Litigation and the Derivative Action. Debtor
16 anticipates that most fees owing to Sidley Austin for prepetition and postpetition services will be
17 paid by its D&O insurance carrier, Carolina Casualty Insurance Company.

18 3. Osborn Maledon, P.A. Debtor retained Osborn Maledon as special counsel for
19 securities regulatory matters, primarily to represent it in connection with the SEC investigation.
20 Debtor expects that a significant portion of Osborn Maledon's fees will be paid by its D&O
21 insurance carrier.

22 4. Weintraub Genshlea Chediak, Law Corporation. Debtor retained the Weintraub
23 firm as special counsel to represent it in regard to corporate, securities, regulatory and litigation
24 matters.

25 5. Felsberg e Associados. Debtor retained the Felsberg firm to serve as special
26 counsel to represent it in Brazil regard to a number of legal matters that have arisen out of the
purchase of Irgovel.

1 6. Blanchard, Walker, O'Quin & Roberts PLC. Debtor retained the Blanchard firm
2 as special counsel to represent in regard its dispute with Farmers Rice Milling Company, Inc.
3 over the ground lease and warehouse lease in Lake Charles, Louisiana.

4 7. DePasquale & Schmidt PLC. Debtor retained DePasquale & Schmidt as special
5 counsel to serve as local counsel for Sidley Austin in the Securities Class Action litigation and
6 the Derivative Action. Debtor anticipates that most fees owing to DePasquale & Schmidt for
7 prepetition and postpetition services will be paid by its D&O insurance carrier.

8 8. Sierra Consulting Group, LLC. Debtor retained Sierra as its financial and
9 restructuring advisor.

10 9. Lakeshore Food Advisors, LLC. Debtor retained Lakeshore to assist it with three
11 matters: (a) marketing the Dillon Facility, for which it will receive a fixed fee of \$350,000 upon
12 the closing of a sale to a buyer originated by it, or \$250,000 for a buyer originated by Debtor; (b)
13 valuation of the common stock of Irgovel and of Debtor's intellectual property, for which it will
14 receive a fixed fee of \$20,000; and, (c) arranging a loan to Nutra SA, for which it will receive a
15 success fee ranging from .5% to 4% of the loan amount, depending upon the type of financing
16 and who originates the contact. Lakeshore will also be reimbursed for its out-of-pocket expenses
17 in regard to each of the foregoing matters.

18 10. Ernst & Young LLP. Debtor retained Ernst & Young to assist it in preparing its
19 federal, state and local income and franchise tax returns and related work papers for fiscal years
20 2008 and 2009, and to provide general tax advice.

21 11. Columbia West Capital, LLC. Debtor retained Columbia West to value Debtor's
22 two affiliates, Rice Science, LLC and Rice Rx, LLC, for a fixed fee of \$20,000.

23 12. Providence Capital, Inc. Debtor retained Providence to assist in locating two
24 qualified candidates for its board of directors. Providence will receive a fixed fee of \$15,000 plus
25 225,000 shares of common stock for each candidate that it locates and who serves on the board.

26 13. William Cadigan/Tatum, LLC. Debtor retained Mr. Cadigan, who is employed by
Tatum, to serve as vice president of finance and interim CFO. Mr. Cadigan left Debtor's
employment effective June 30, 2010.

1 14. BDO Seidman. Debtor retained BDO Seidman, LLP to perform its 2009 and 2010
2 audits.

3 15. Ordinary Course Professionals. Debtor retained a number of ordinary course
4 professionals, including: (i) Employment Benefit Resources, LLP, which provides 401K
5 administration services; (ii) Paychex, Inc., which provides payroll services; (iii) Iron Mountain,
6 which provides daily data back-up storage services; (iv) Stratify, which provides data hosting and
7 litigation support services; (v) Teris, which provides litigation support services; (vi) Navigant
8 Consulting, which provides forensic accounting and litigation support services; (vii) attorney
9 Edward R. Schmidt, who advises executive management and the Board of Directors on corporate
10 governance and practice; (viii) Convergent Capital Appraisers, which provided an evaluation of
11 the impairment of the goodwill relating to Irgovel; and, (ix) Lakeshore Food Advisors, LLC
12 which is providing an evaluation of the impairment of goodwill of Debtor's Irgovel subsidiary

13 16. Committee Professionals. The Committee retained Jennings, Strouss & Salmon,
14 P.L.C. to serve as its counsel and FTI Consulting, Inc. to serve as its financial adviser.

15 17. Knudsen Order. On December 23, 2010, the Bankruptcy Court entered an order
16 (the "**Knudsen Order**") authorizing Debtor to make monthly payments to its attorneys, financial
17 advisers and other professionals who are employed on an hourly fee basis. Under the Knudsen
18 Order, Debtor may pay the professionals employed at the expense of the estate, including the
19 Committee's professionals, 80% of their fees and all of their reimbursable expenses on a monthly
20 basis. Cumulative payments may not exceed the budgeted amounts set forth in the DIP Credit
21 Facility, and professionals are required to submit and obtain Bankruptcy Court approval of their
22 fee applications before the 20% holdback may be paid. As of June 12, 2010, Debtor had made
23 interim payments to professionals totaling approximately \$315,574. The Knudsen Order does not
24 apply to professionals who are employed on a fixed fee basis.

25 **M. Deadline for Filing Proofs of Claim**

26 The Bankruptcy Court established March 31, 2010 as the deadline ("**Bar Date**") for filing
proofs of claims. The Bankruptcy Court subsequently extended the Bar Date for all those who:
(a) did not receive notice of the earlier Bar Date; (b) are affected by an amendment to Debtor's
schedules; or (c) mailed their proofs of claim to the erroneous post office box listed on the

1 original Bar Date notice. The new Bar Date for affected creditors is twenty-one (21) days after
2 the mailing of a new Bar Date notice. For most affected creditors, the new Bar Date was May 28,
3 2010. The Bar Date for any creditor who did not receive a Bar Date notice prior to receiving this
4 Disclosure Statement, including without limitation, any Claim for the value of goods received by
5 Debtor within twenty (20) days before the Petition Date within the meaning of 11 U.S.C. §
6 503(b)(9), is the first date set for hearing on approval of this Disclosure Statement. The Bar Date
7 for filing Administrative Claims, other than Claims under 11 U.S.C. § 503(b)(9), is 30 days after
8 the Effective Date, pursuant to Article IV(1) of the Plan. The Bar Date for filing claims arising
9 from an Executory Contract that is rejected under the Plan is the Confirmation Date or, if the
10 Executory Contract is rejected pursuant to the Confirmation Order, the first Business Day that is
11 fifteen (15) days after the Confirmation Date, pursuant to Article VIII of the Plan.

12 **VI. DESCRIPTION OF THE PLAN OF REORGANIZATION**

13 The following description of the Plan is for informational purposes only and does not
14 purport to change or supersede any of the language of the Plan. Each holder of a Claim or Equity
15 Interest is urged to read the Plan carefully with respect to the proposed treatment of their
16 respective Claim or Equity Interest, and, if necessary, to consult with legal counsel. The Plan, if
17 confirmed, will be binding upon Debtor, its Creditors, and Equity Security Holders.

18 **IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PLAN AND THIS**
19 **DISCLOSURE STATEMENT, THE PLAN CONTROLS.**

20 **A. Plan Overview.**

21 1. Sources of Payment. Pursuant to the Plan, Debtor will obtain funds by selling
22 certain of its assets, including: (a) the Phoenix Facility; (b) the Dillon Facility; and, (c) certain
23 excess equipment. Debtor will also obtain funds through: (a) a secured loan or sale of an equity
24 interest in Debtor; (b) a secured loan to or equity sale by its wholly owned Nutra SA, LLC,
25 subsidiary; or, (c) a loan secured by, or a sale of a portion of, its 80% ownership interest in, Rice
26 Science, LLC and/or its 50% ownership interest in Rice Rx.

2. Estimated Distributions. Debtor provides the following estimate of Claims and
distributions:

Class/Nature of Claim	Treatment	Estimated Distributions	Date of Initial Distribution
Unclassified-- Administrative Claims	N/A	\$250,000	Effective Date
Class 1 Priority Claims	Unimpaired	13,635	Effective Date
Class 2 Priority Tax Claims	Unimpaired	326,792	Monthly amortizing payments over 4 years
Class 3 Secured Claim of Wells Fargo	Unimpaired	1,860,837	When due
Class 4 Secured Claim of Dell Computer	Impaired	4,301	Effective Date + one month
Class 5 Administrative Convenience Claims	Impaired	183,583	Effective Date
Class 6 (General Unsecured Claims)	Impaired	6,159,348	Later of Effective Date or as assets are sold
Class 7 (Penalty Claims)	Impaired	0	Within 5 years—after payment of Class 6
Class 8(a) (Class Action Settlement)	Unimpaired	0	Paid by insurer per Settlement Agreement
Class 8(b) (Security Claims).	Unimpaired	0	When dividends are paid to shareholders
Class 9 (Shareholders).	Unimpaired	0	When dividends are paid to shareholders
Cure Amounts	N/A	1,577,794	Effective Date
	Total	\$10,376,290	

B. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS.

The Plan classifies Claims and Equity Interests in various Classes, and sets forth the treatment afforded to each Class. A Claim or Equity Interest will be deemed classified in a particular Class only to the extent that it falls within the description of that Class. It is possible for a Claim to be classified in two different Classes. For example, a Claim for pre-petition wages will be classified as a Class 2 priority wage claim to the extent of \$10,000 and as a general unsecured claim as to the rest. As of the Confirmation Hearing, any Class that does not contain a

1 Claim will be deemed deleted from the Plan. Similarly, any Class that does not contain any
2 Allowed Claims (or Claims temporarily allowed for voting purposes) will be deemed deleted for
3 voting purposes. The following is a summary of the treatment provided for each Class.

4 1. Unclassified Claims - Allowed Administrative Claims. Each holder of an
5 Allowed Administrative Claim shall be paid in cash in full upon the Effective Date, or as soon
6 thereafter as is reasonably practical, unless such holder agrees in writing to other treatment or the
7 amount of such Claim is not due on the Effective Date, in which case it will be paid when it is
8 due. Professionals employed at the expense of the Estate on or before the Effective Date, and
9 any entities that may be entitled to reimbursement or allowance of fees and expenses pursuant to
10 Section 503(b) of the Code, shall receive cash in the amount awarded to them at such time as an
11 order is entered pursuant to Section 330, 331 or 503(b) of the Code. Ordinary post-petition
12 operating expenses incurred before or after the Effective Date, such as taxes, salaries, rent, and
13 insurance, that do not require Court approval, shall be paid in the ordinary course of business as
14 and when due.

15 **ANY PERSON OR ENTITY CLAIMING TO HOLD AN EXPENSE OF**
16 **ADMINISTRATION AS OF THE EFFECTIVE DATE OF THE PLAN, MUST**
17 **HAVE FILED A MOTION FOR ALLOWANCE OF ADMINISTRATIVE**
18 **EXPENSE WITH THE COURT AND SERVED A COPY ON COUNSEL FOR**
19 **DEBTOR NOT LATER THAN 30 DAYS AFTER THE EFFECTIVE DATE,**
20 **OR SUCH CLAIM WILL BE DISALLOWED.**

21 2. Class 1 (Priority Claims): Each holder of an Allowed Claim entitled to priority
22 under Section 507 of the Code, other than the priority tax Claims classified in Class 2, will be
23 paid in cash in full on the Effective Date, or as soon thereafter as is reasonably practical. Class 1
24 is unimpaired under the Plan.

25 3. Class 2 (Priority Tax Claims): Each holder of a tax Claim entitled to priority
26 under Section 507(a)(8) of the Code and each holder of a secured claim that would otherwise
meet the description of a governmental unit under Section 507(a)(8) but for the secured status of
the claim will be paid in equal monthly payments determined by amortizing the principal and
interest owing on each such claim over a period of four years following the Effective Date,

1 provided that the final payment must be made no later than five years after the Petition Date. All
2 principal payments to any Class 2 Claimant will be applied first to any portion of such Claim that
3 is a “trust fund” claim for which any of Debtor’s officers, directors, employees or shareholders
4 may be personally liable. All principal payments received by the Class 2 Claimants will be
5 applied first to the oldest outstanding taxes. At the time of each distribution to holders of
6 Allowed Class 6 Claims, each holder of an Allowed Class 2 Claim will receive an additional
7 amount sufficient to cause the total amount then distributed to each Class 2 Claimant to be
8 proportionate to the total amount then distributed to each holder of an Allowed Class 6 Claim.
9 Because the Plan provides for payment in full of Class 2 Claims and complies with the
10 requirements of § 1129(a)(9)(C), Class 2 is not considered a voting class pursuant to § 1124(1)
11 and § 1126(f), and is deemed to have accepted the Plan. Class 2 is unimpaired under the Plan.

12 4. Class 3 (Wells Fargo Secured Claim): The amounts owing to Wells Fargo under
13 the DIP Credit Facility will be paid in accordance with the terms of the DIP Credit Facility.
14 Wells Fargo will retain its liens and security interests until all amounts owing under the DIP
15 Credit Facility are paid in full and will be entitled to enforce all of its rights and remedies in the
16 event of any default thereunder, subject to any applicable notice and grace periods. Class 3 is
17 unimpaired under the Plan.

18 5. Class 4 (Dell Computer Secured Claim): Dell Computer will be paid the amount
19 of its Allowed Secured Claim in equal monthly installments determined by amortizing the
20 amount of such Allowed Secured Claim over a period of two years, starting on the first day of the
21 first full calendar month following the Effective Date. Dell Computer will retain its security
22 interest until its Allowed Secured Claim is paid in full. Class 4 is impaired under the Plan.

23 6. Class 5 (Administrative Convenience Claims). Each holder of an Allowed
24 Unsecured Claim of \$5,000 or less who does not elect, on its ballot, to be treated as a holder of an
25 Allowed Class Six claim, will receive payment of 75% of the Allowed amount of its Claim on the
26 Effective Date in full satisfaction of its claim. Class 5 is impaired under the Plan.

7. Class 6 (General Unsecured Claims). Each holder of an Allowed Unsecured
Claim will be paid in full, together with interest from the Petition Date to the Effective Date at
the Federal Judgment Rate as of the Effective Date (currently .38%) and from the Effective Date

1 until paid at 8.25%. The payment obligation will be secured by a lien on all of Debtor's assets.
2 Payments will be made in accordance with Article V of the Plan. Funds realized from the sale or
3 other monetization of the assets will be allocated and distributed to Class 6 Claimants in the
4 manner described in Article V(5) of the Plan. The lien will be enforced by the Plan Agent, and
5 will be junior to the liens and security interest held by Wells Fargo, any other existing liens (such
6 as tax liens), any lien granted to any Person providing substitute exit financing to Debtor (subject
7 to the same limitations as those placed on subordination and payment of the agreed portion of the
8 net loan proceeds, as set forth below), and the existing Carve-Out for professional fees. The lien
9 will be subordinated to any: (a) substitute financing of the Revolving Credit Facility or Term
10 Loan provided by Wells Fargo, (b) financing involving Nutra SA, Rice Science, Rice Rx, Lake
11 Charles or Mermentau, conditioned on the Class 6 Claimants receiving the agreed portion of the
12 net loan proceeds as described below; and (c) financing secured by any other assets, conditioned
13 on the Class 6 Claimants receiving the agreed portion of all net loan proceeds as specified below.
14 The minimum payment to Class 6 Claimants and/or Wells Fargo from any financing at the Nutra
15 SA level will be \$2.2 million. Class 6 is impaired under the Plan.

16 8. Class 7 (Penalty Claims). Each holder of an Allowed Claim for a fine, penalty,
17 forfeiture, multiple damages, punitive damages, or exemplary damages not meant to compensate
18 the claimant for actual pecuniary loss will be paid in full over a period of not more than five
19 years after the Effective Date, with interest on the Allowed principal amount of such Claim at the
20 Prime Rate from the latter of the Effective Date or the date upon which such Claim is assessed,
21 until paid. No payments will be made to holders of Class 7 Claims until Class 6 Claims have
22 been paid in full.

23 9. Class 8 (Security Claims). Class 8 is divided into two subclasses: Class 8(a),
24 comprised of all those who are, or become, parties to the pending settlement in the Class Action
25 Litigation; and Class 8(b), comprised of the holders of all other Allowed Securities Claims.

26 a. Class 8(a) (Parties to Settlement of Class Action Litigation). The rights of all
holders of Allowed Class 8(a) Claims will be controlled by the settlement agreement in the
Class Action Litigation if and when it is approved on a final basis by the District Court. If
the settlement is not approved on a final basis, Class 8(a) will be deemed deleted from the

1 Plan and all Class 8(a) Claimants will be deemed transferred to Class 8(b). Class 8(a) is
2 unimpaired under the Plan.

3 b. Class 8(b) (All other Allowed Securities Claims). All Allowed Class 8(b) Claims
4 will be subordinated to the level of Class 9 common stock, pursuant to 11 U.S.C. § 510(b).
5 Holders of Allowed Class 8(b) Claims will receive distributions on account of such claims
6 at such times as dividends are paid to the holders of common stock. Holders of Allowed
7 Class 8(b) Claims who are also holders of common stock of Debtor will receive no
8 distribution on account of their Allowed Class 8(b) Claims but will, instead, receive
9 dividends on their stock. Holders of Allowed Class 8(b) Claims who are not holders of
10 common stock of Debtor will receive distributions equal to the dividend they would have
11 received had they invested the entire amount of their Allowed Class 8(b) Claim in
12 common stock of Debtor at the prevailing market price as of the record date of such
13 distribution. For example, if the prevailing market price is \$1.00 per share, the holder of
14 an Allowed Class 8(b) Claim in the amount of \$100,000 will receive a distribution equal to
15 the dividend it would have received had it held 100,000 shares of common stock of Debtor
16 as of the record date of the distribution. Such distributions will be treated for all purposes
17 as payments of debt by Debtor. Payments will continue until the allowed amount of all
18 Class 8(b) claims is paid in full, with interest at the Prime Rate from the Effective Date
19 until paid. Class 8(b) is unimpaired under the Plan.

20 10. Class 9 (Shareholders). All Shareholders will retain their shares. Class 9 is
21 unimpaired under the Plan.

22 11. Disputed Claims will be treated as follows: At the time of any Distribution to
23 holders of Allowed Claims, an amount sufficient to have paid each holder of a Disputed Claim its
24 *pro rata* share of such Distribution, calculated as though such Disputed Claim were an Allowed
25 Claim, will be reserved for the potential benefit of the holders of such Disputed Claims, and
26 thereafter distributed in accordance with the terms and provisions of this Plan.

C. SUMMARY OF OTHER PLAN PROVISIONS.

1. Sale of Phoenix and Dillon Facilities. Debtor will market and sell the Phoenix
Facility and the Dillon Facility as expeditiously as possible consistent with the goal of

1 maximizing the sales prices. From the sale proceeds, approximately \$1.9 million will be paid to
2 Wells Fargo, in satisfaction of the DIP Credit Facility, unless such amount has already been paid.

3 2. Exit Financing. Debtor is pursuing multiple financing transactions
4 simultaneously, and will endeavor to arrange one or more of the following transactions prior to
5 the Effective Date: (a) a loan or equity sale; (b) a loan to or equity sale by its wholly owned
6 Nutra SA, LLC, subsidiary, a portion of the proceeds of which will be used to discharge its
7 obligations under the Plan; or, (c) a loan to or equity sale by its 80% owned subsidiary, Rice
8 Science, LLC and/or its 50% owned subsidiary Rice Rx, a portion of the proceeds of which will
9 be used to discharge its obligations under the Plan. Debtor will employ one or more investment
bankers to assist in arranging the financing transactions.

10 3. Revolving Credit Facility. Debtor has arranged for an extension of its Revolving
11 Credit Facility with Wells Fargo through December 31, 2010, and will endeavor to obtain
inventory and receivables financing beyond that date.

12 4. Proceeds from Liquidation of Excess Equipment. Debtor will sell certain excess
13 equipment not necessary to its continued operations as expeditiously as possible consistent with
14 the goal of maximizing the sales prices.

15 5. Lien for the Benefit of Claimants. The holders of Allowed Class 6 Claims will be
16 granted a lien (the “**Class 6 Lien**”) in all of Debtor’s assets. The following portions of all
17 monetization proceeds will be paid to Class 6 Claimants, up to the full amount owing to them,
18 except as otherwise provided below in the event of Debtor’s failure to satisfy a Payment
Benchmark:

- 19 a. 75% of the net proceeds from the sale of the Phoenix Facility or the Dillon Facility.
20 The term “**net proceeds**,” as used herein, means net of (a) any required payment to
21 Wells Fargo, and (b) any and all closing costs, title insurance premiums, attorneys’
22 fees, escrow fees, prorations, commissions, and other costs, fees and expenses of
23 any kind associated with the sale;
- 24 b. 40% of the first \$5.0 million in net proceeds from the monetization (debt or equity
25 raise) of Debtor’s interest in its Nutra SA subsidiary that are permitted to be paid
26 upstream to the Debtor, and 50% of any net proceeds over \$5.0 million that are

1 permitted to be paid upstream to the Debtor. The minimum required payment to
2 Class 6 Claimants and/or Wells Fargo from any such monetization is \$2.2 million,
3 and Debtor must retain a 51% controlling ownership interest in Nutra SA unless
4 Class 6 Claimants are paid in full. Debtor may use \$2 million of the net proceeds
5 to resolve cash needs at the Irgovel level and up to \$1.2 million to cure defaults
6 under the Rice Science and Rice Rx limited liability company agreements,
7 provided that Class 6 Claimants and/or Wells Fargo receive a minimum of \$2.2
8 million. Any amounts required by a lender or investor to be used by Irgovel for
expansion projects will be excluded from this calculation;

- 9 c. 50% of the net proceeds from an equity raise from the sale of Debtor's interest in
10 Rice Science and/or Rice Rx, after payment of approximately \$1.2 million in
11 required cure amounts;
- 12 d. 50% of the net proceeds from the sale of any loose (uninstalled) equipment that
13 occurs on or before the Effective Date, and 100% of the net proceeds from the sale
14 of any loose (uninstalled) equipment that occurs after the Effective Date.
- 15 e. 50% of any prepayment of the amounts owing on the Ceutamed Note received on
16 or before the Effective Date, and 75% of any prepayment of the amounts owing on
17 the Ceutamed Note received after the Effective Date. In any event, if there is no
18 prepayment, payments made to Debtor on the Ceutamed Note will be paid to Class
19 6 Claimants commencing on April 1, 2011, pursuant to Article V(8) below.
- 20 f. 75% of the net proceeds from the sale or monetization of the Lake Charles
21 improvements or the Mermentau Facility, after funding the Carve-Out for
22 professional fees (if still required by the terms of the DIP Credit Facility);
- 23 g. 75% of the net proceeds from the monetization of any other assets;
- 24 h. 100% of any net recoveries from avoidance actions or actions against former
25 officers and directors;
26

- 1 i. In the event of a sale of any of the foregoing assets, the Class 6 Lien on said assets
2 will be released at the closing. In the event of a financing transaction at Nutra SA,
3 Rice Science, Rice Rx, Lake Charles or Mermentau, the Class 6 Lien will be
4 subordinated to that of the new lender, on those assets only, provided that the Class
5 6 Claimants receive the required payment amount, as set forth above.

6 The Class 6 Lien shall be valid and perfected without the necessity of filing or recording any
7 mortgage, deed of trust, financing statement or other instrument, but Debtor or Plan Agent may
8 nonetheless file or record a mortgage, deed of trust, financing statement or other instrument. The
9 Class 6 Lien will be granted and become effective as of the Effective Date, but will not attach to
10 funds earmarked for the payment of claims that are due on the Effective Date. Upon payment of
11 all amounts owing to Class 6 Claimants under the Plan, the Plan Agent shall release the Class 6
12 Lien of record.

13 6. Plan Agent. By no later than the Confirmation Date, the Proponents will jointly
14 designate a Plan Agent by filing a notice to that effect with the Court. The Plan Agent will have
15 the following powers and duties: (a) to review and approve any disbursements to creditors
16 proposed by Debtor; (b) to enforce Debtor's obligations to holders of Allowed Class 6 Claims
17 under the Plan; (c) to enforce the Class 6 Lien, including, without limitation, the power to sell
18 assets in the order set forth below, upon any applicable default, as expeditiously as possible
19 consistent with the goal of maximizing the sales prices and in accordance with the terms of the
20 Plan; and, (d) to review and approve settlements proposed by Debtor of claims that involve an
21 amount in dispute of more than \$25,000. Debtor shall provide to Plan Agent in advance of any
22 proposed disbursements a schedule showing the amounts to be disbursed to each creditor. Plan
23 Agent shall have five (5) business days to review and approve the proposed disbursements. In
24 the event that Debtor and the Plan Agent are unable to agree on any proposed distribution or
25 settlement, the matter will be submitted to and resolved by the Bankruptcy Court. The
26 compensation to be paid to the Plan Agent will be detailed in the notice filed with the Court and
 will be paid by the Reorganized Debtor. By no later than the twentieth (20th) day of each month,
 Debtor will provide the Plan Agent with its normal internally-generated monthly financial
 reporting information for the preceding month.

1 7. Payment Benchmarks. Debtor's satisfaction of each of the following payment
2 benchmarks will be determined by selecting one Allowed Claim, such as Trea's, adding accrued
3 interest, and dividing that into the amount that has been paid on that Claim. The calculation will
4 be: $\$(\text{claim}) + \$(\text{interest}) \times .50 = \text{Payment Benchmark 1}$. For example, if accrued interest on
5 the date of payment is \$7,268.08 and the Allowed Claim is \$155,052.44, then the first Payment
6 Benchmark is \$81,160.26 paid to Trea ($\$7,268.08 + \$155,052.44 \times .50$). The payment
benchmarks are as follows:

7 a. Payment Benchmark 1: Debtor has listed the Phoenix and Dillon Facilities for
8 sale. If, by no later than July 15, 2011, Debtor has neither: (i) closed on the sale of
9 both facilities; nor (ii) paid the Class 6 Claimants 50% of the total allowed amount
10 of their claims, then the Plan Agent may control and direct, in its sole discretion,
11 and without interference by Debtor, the: (i) sale of the Phoenix Facility; (ii) sale of
12 the Dillon Facility; and (iii) the sale of any loose equipment. In such event, the
13 Class 6 Claimants will retain 100% of all net proceeds from the sale of the loose
14 equipment. Such sales will be conducted as expeditiously as possible by the Plan
15 Agent consistent with the goal of maximizing the sales prices and may only
16 continue until the Class 6 Claimants have received 50% of the total allowed
amount of their claims.

17 b. Payment Benchmark 2: If, by no later than October 15, 2011, Debtor has neither:
18 (i) closed on the sale of both facilities; nor (ii) paid the Class 6 Claimants 75% of
19 the total allowed amount of their claims, then the Plan Agent may control and
20 direct, in its sole discretion, and without interference by Debtor, the: (i) sale of the
21 Phoenix Facility; (ii) sale of the Dillon Facility; and (iii) the sale of any loose
22 equipment. In such event, the Class 6 Claimants will retain 100% of all net
23 proceeds from the sale of the loose equipment. Such sales will be conducted as
24 expeditiously as possible consistent with the goal of maximizing the sales prices
25 and may only continue until the Class 6 Claimants have received 75% of the total
26 allowed amount of their claims.

1 c. Payment Benchmark 3: If, by no later than January 15, 2012, Debtor has not paid
 2 the Class 6 Claimants 100% of the total allowed amount of their claims, then the
 3 Plan Agent may control and direct, in its sole discretion, and without interference
 4 by Debtor the: (i) sale of the Phoenix Facility; (ii) the sale of the Dillon Facility;
 5 (iii) the sale of any loose equipment; (iv) the sale of the equipment located in
 6 Debtor's Lake Charles facility and, (v) the sale of any other pledged assets. In
 7 selling such assets, the Plan Agent shall use his or her reasonable best efforts to sell
 8 as few assets as possible, in terms of the value, to satisfy the remaining
 9 indebtedness. In such event, the Class 6 Claimants will retain 100% of all net
 10 proceeds from such sales. Net proceeds from any sale of Debtor's interest in Rice
 11 Science and Rice Rx will be net of any unpaid obligations owing to those entities
 12 or to Herbal Science Singapore in regard to those entities.

12 8. Proceeds of Ceutamed Note. Beginning with the payment due on April 1, 2011,
 13 all payments under the Ceutamed Note will be deposited in a segregated bank account and
 14 distributed to the Class 6 Claimants on at least a quarterly basis. Such payments will begin no
 15 later than June 15, 2011.

16 9. Disbursing Agent. The Reorganized Debtor will function as disbursing agent
 17 under the Plan and will not be compensated for its services.

18 10. Management and Personnel--2010 EIP. The Reorganized Debtor will retain the
 19 services of Debtor's present management and staff. All members of senior management and
 20 most rank and file employees will be eligible to participate in the 2010 EIP. The 2010 EIP has
 21 two components:

22 a. Total Cash Bonus to Employees and Executive Officers

	Effective Date of Plan of Reorganization	3 Months After Effective Date	6 Months After Effective Date
23 CEO	\$150,000	\$75,000	\$75,000
24 President/COO	\$150,000	\$75,000	\$75,000
25 Other Executive Officers	\$35,000	\$15,000	\$15,000
26 All Other Employees	\$165,000	\$100,000	\$60,000
Total	\$500,000	\$265,000	\$225,000

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2 Bonuses totaling \$990,000 will be available to all those who are eligible employees as of the
3 Effective Date and at three and six month intervals thereafter, provided that Debtor has
4 successfully exited bankruptcy and has achieved positive EBITDAR. Such bonuses may be paid
5 only in proportion to distributions made to holders of Allowed Class 6 Claims, and only if: (i) the
6 Compensation Committee of the Board of Directors, in its sole and absolute discretion,
7 determines that Debtor has sufficient cash to meet all of its reasonably anticipated cash
8 requirements; and, (ii) the Plan Agent, in his or her sole and absolute discretion, approves the
9 payment of such bonuses. For example, if holders of Allowed Class 6 Claims have received
10 distributions equal to 40% of the Allowed amounts of their Claims, then 40% of the bonus pool
11 may be distributed, provided that the conditions set forth above are satisfied. To be eligible to
12 receive a cash bonus, each staff member must be employed at the time payment is made.

13
14 b. Stock Options to Employees and Executive Officers

Position	Options to be Issued
CEO	5,000,000
President/COO	4,500,000
All Other Employees	15,100,000
Total	24,600,000

16 Eligible employees may receive new stock option grants to purchase a total of 24.6 million shares
17 of common stock, exercisable at a price per share equal to the higher of \$0.20 and the market
18 price on the dates of grant. Debtor's CEO, W. John Short, and Debtor's President and COO, Leo
19 Gingras, may each receive a new stock grant to purchase a total of 5,000,000 and 4,500,000
20 shares, respectively, of common stock at a price per share equal to the higher of \$0.20 and the
21 market price on the dates of grant. The new stock option grants will vest as follows: 20% will
22 vest immediately upon grant, 20% will vest upon the Effective Date and 60% will vest monthly
23 as to 1/48th of the remaining amount over four years commencing on the first monthly
24 anniversary of the Effective Date.
25
26

1 c. Repricing of Employees' Stock Options

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Position	Options to be Repriced
CEO	0
President/COO	1,500,000
All Other Employees	7,500,000
Total	9,000,000

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7 All existing stock options held by employees that have exercise prices greater than \$0.20 may be
8 repriced to reduce the per share exercise prices to the higher of \$.20 or the market price on the
9 effective date of the repricing. No existing stock option will be repriced if the resulting repricing
10 increases such stock option's exercise price. There are employee stock options to purchase
11 approximately nine million shares of common stock which will be repriced. The Debtor's
12 President and COO, Leo Gingras, is the only executive officer of Debtor eligible for the above
13 repricing. Mr. Gingras currently has an option for 1,500,000 shares of common stock at an
14 exercise price of \$0.22 which may be subject to the repricing.

15 11. Authority to Settle and Assign. In accordance with Section 1123(b)(3) of the
16 Code, the Reorganized Debtor will own and retain, and may prosecute, enforce, compromise,
17 settle, release, or otherwise dispose of, any and all claims, defenses, counterclaims, setoffs, and
18 recoupments belonging to Debtor or the Estate, without further order of the Court, subject to
19 approval by the Plan Agent where the amount in dispute exceeds \$25,000.

20 12. Location of Claimants and Uncashed Distribution Checks.

21 a. Bad Addresses. If the Reorganized Debtor is unable to locate a Claimant, it will
22 hold the amount of any Distribution to such Claimant as though such Claim were a Disputed
23 Claim. Such amount shall be held for 120 days and, if the address of the Claimant is then still
24 unknown, such amount shall be distributed to other Claimants holding Allowed Claims or
25 retained by Debtor if all other Claims are then paid in full. The Reorganized Debtor will have
26 fulfilled any duty that it may have to locate the holder of a Claim by mailing any Distribution to
the address for that Claimant set forth in the Master Mailing List or in any Proof of Claim or
Notice of Appearance filed with the Court. The Reorganized Debtor will be under no obligation
to undertake further efforts to locate the holder of a Claim if the Distribution is returned

1 "addressee unknown," and the Reorganized Debtor may delete any such Claimant from its
2 mailing list.

3 b. Uncashed Distribution Checks. Any Distribution check that has not been returned
4 by the U.S. Post Office but which has not been cashed within 60 days after it is mailed shall be
5 deemed undeliverable. The Reorganized Debtor shall be authorized to stop payment on such
6 check and the payee shall thereafter be treated in the manner set forth above for Claimants whose
7 addresses are unknown.

8 13. Notices. In order to minimize the expense of providing notices after the
9 Confirmation Date, notice of matters brought before the Court after the Confirmation Date will
10 be limited to those on the Official Notice Service List established by order of the Court entered
11 on December 30, 2009 (Dkt. No. 139), as the same may be amended and updated from time to
12 time.

13 14. Effective Date/Condition to Confirmation. The Effective Date of the Plan will be
14 November 30, 2010, provided that 14 days have passed after entry of the Confirmation Order.
15 Proponents may waive this Condition to Confirmation and/or accelerate the Effective Date by a
16 written notice to that effect filed with the Court at any time after the Confirmation Order is
17 entered.

18 15. Discharge. Except as otherwise specifically provided in the Plan, confirmation of
19 the Plan discharges Debtor from any debt that arose prior to the Confirmation Date and any debt
20 of a kind specified in Sections 502(g) through (i) of the Code, whether or not a proof of claim
21 based upon such debt is filed or deemed filed under Section 501 of the Code, whether or not such
22 Claim is allowed under Sections 502 of the Code, and whether or not the holder of such Claim
23 has accepted the Plan. The foregoing does not in any way limit the scope of the discharge
24 provided by Section 1141 of the Code.

25 16. Automatic Stay and Post-Confirmation Injunction. The automatic stay will
26 terminate on the Effective Date, but all holders of Claims dealt with by the Plan, and all creditors
who received notice of the Case, will be enjoined from pursuing collection of their Claims from
the assets of Debtor, the estate and the Reorganized Debtor.

1 17. Release and Extinguishment of Liens, Claims and Encumbrances. Except as
2 otherwise provided in the Plan, all property dealt with by the Plan is free and clear of all liens,
3 claims and interests of creditors and Equity Security holders from and after the Effective Date.

4 18. Executory Contracts. With the exception of the executory contracts listed on
5 Exhibit “1” to the Plan, which are assumed under the Plan, all executory contracts that have not
6 previously been assumed or rejected by Debtor shall be deemed rejected as of the Effective Date,
7 unless specific written notice of intent to assume is mailed or delivered to the lessor or other
8 contracting party before the Effective Date. Unless otherwise agreed, all pre-petition defaults
9 under assumed contracts will be cured on the Effective Date, or as soon thereafter as is
10 reasonably practicable. Any party seeking to assert a Claim arising from an Executory Contract
11 that is rejected by the Plan must file a Proof of Claim by the Confirmation Date or, if the
12 Executory Contract is rejected pursuant to the Confirmation Order, the first Business Day that is
13 fifteen (15) days after the Confirmation Date.

14 19. Retention and Enforcement of Claims. The Plan preserves in full for the benefit
15 of the Reorganized Debtor all claims and causes of action of any sort owned by Debtor or the
16 estate, pursuant to Section 1123(b)(3) of the Code, other than those expressly released by the
17 terms of the Plan, and the Reorganized Debtor is designated as the estate representative pursuant
18 to and in accordance with Section 1123(b)(3)(B) of the Code.

19 20. Modification of Plan. The Proponents may propose modifications or amendments
20 to the Plan at any time prior to the Confirmation Date. After confirmation, they may, with Court
21 approval, and so long as it does not materially or adversely affect the interests of creditors,
22 remedy any defect or omission, or reconcile any inconsistencies in the Plan or in the
23 Confirmation Order, in such manner as may be necessary to carry out the purposes and effect of
24 the Plan. The foregoing provisions do not limit the ability of any party to modify the Plan under
25 Section 1127 of the Code and applicable Rules.

26 21. Exculpation. The Proponents, the Plan Agent, and their advisors, attorneys,
consultants and agents (the “**Exculpated Parties**”) will neither have nor incur any liability to any
holder of a Claim or Equity Security, or any other party in interest, or any of their respective
shareholders, former shareholders, members, former members, agents, employees,

1 representatives, financial advisors, attorneys, consultants, affiliates, successors or assigns (the
2 “**Exculpating Parties**”), for any acts or omissions relating to or arising out of this Case, the
3 preparation for and administration of this Case, or the negotiation, execution, confirmation,
4 consummation or administration of the Plan (the “**Exculpated Acts**”), **other than acts** of gross
5 negligence, fraud or willful misconduct. The Exculpating Parties shall have no right of action
6 against any of the Exculpated Parties for any of the Exculpated Acts, and the Exculpated Parties
7 are released of and from all claims or liabilities, known or unknown, arising out of or related to
8 the Exculpated Acts. **The provisions of this Article** shall not be deemed to limit any existing
9 protections or immunities afforded to the Exculpated Parties under existing law. The provisions
10 of this Article shall not apply to any claim, action or cause of action **by the SEC**, and the SEC
11 shall not be included in the definition of “Exculpating Parties.”

12 22. Retention of Jurisdiction. Notwithstanding confirmation of the Plan, the Court
13 will retain jurisdiction to: (a) Determine the allowability of Claims and Equity Interests upon
14 objection to such Claims or Equity Interests by any other party in interest; (b) consider requests
15 for payment of Claims entitled to priority under Section 507(a) of the Code, including, without
16 limitation, compensation of professionals pursuant to Section 330 and 503; (c) hear, determine
17 and enforce all claims and causes of action which may exist on behalf of Debtor or the estate,
18 including, but not limited to, any right of the Reorganized Debtor or the estate to recover assets
19 pursuant to the provisions of the Code, whether or not such claims, causes of action, or rights are
20 Retained Causes of Action, and whether they are pursued by the Reorganized Debtor or another
21 appropriate party; (d) consider and act upon the compromise and settlement of any Claims
22 against, or cause of action on behalf of, Debtor or the Estate; (e) resolve controversies and
23 disputes regarding the interpretation or enforcement of the terms of the Plan, or any
24 documentation relating thereto; (f) resolve controversies and disputes regarding implementation
25 of the Plan including, without limitation, any disputes between Debtor and the Plan Agent, and to
26 enter orders in aid of confirmation of the Plan and appropriate orders to protect Debtor or its
successors in interest; (g) determine all matters and controversies regarding state, local, and
federal taxes pursuant to all applicable provisions of the Code; and, (h) enter a Final Decree
closing Debtor's case.

1 **VII. TAX CONSEQUENCES OF THE PLAN.**

2 As of December 31, 2008, Debtor’s most recent audited financial statements, Debtor had
3 consolidated net operating loss carry-forwards (“NOLs”) for federal income tax purposes of
4 approximately \$81 million. The NOLs will be adjusted by the income or loss of Debtor for fiscal
5 year 2009 and 2010, including any gain or loss from any sale of assets. Based on the terms of
6 proposed Plan and the proposed treatment of creditors, no material cancellation of debt income is
7 anticipated. Consequently, Debtor does not believe that there are any material tax consequences
8 as a result of confirmation of the Plan to Debtor, its creditors or its equity holders. However,
9 Debtor does not express any opinion as to the tax consequences of the Plan to creditors or equity
security holders, who are advised and strongly encouraged to obtain their own tax advice.

10 While this Disclosure Statement does not attempt to describe all of the tax consequences
11 of the transactions contemplated by the Plan to the Debtor and other interested parties, the Debtor
12 will use all reasonable efforts to preserve the its tax attributes, and minimize tax consequences to
the Debtor.

13 **BECAUSE DEBTOR EXPRESSES NO TAX ADVICE, NEITHER DEBTOR NOR**
14 **ANY OF ITS PROFESSIONAL ADVISORS SHALL BE LIABLE IF, FOR ANY**
15 **REASON, THE TAX CONSEQUENCES OF THE PLAN ARE OTHER THAN AS**
16 **ANTICIPATED. CREDITORS AND EQUITY SECURITY HOLDERS MUST RELY**
17 **SOLELY UPON THEIR OWN ADVISORS AS TO THE TAX CONSEQUENCES OF**
18 **THE PLAN.**

19 **VIII. CONFIRMATION OVER DISSENTING CLASS.**

20 The Code contains provisions for confirmation of the Plan even if it is not accepted by all
21 impaired classes, provided that at least one impaired class of Claims has voted to accept the Plan.
22 These “cramdown” provisions for confirmation of a Plan are set forth in Section 1129(b) of the
23 Code. If one or more classes of impaired Claims does not accept the Plan, the Bankruptcy Court
24 may confirm the Plan if it finds that the Plan: (i) was accepted by at least one impaired class; and
25 (ii) does not discriminate unfairly against, and is fair and equitable as to, all non-accepting
26 impaired classes. The Proponents will request confirmation of the Plan pursuant to Section
1129(b) of the Code if all impaired classes do not accept the Plan.

1 **IX. FEASIBILITY OF THE PLAN**

2 For the Court to confirm the Plan it must find that "confirmation of the plan is not likely
3 to be followed by the liquidation, or the need for further financial reorganization, of the
4 debtor . . . unless such liquidation or reorganization is proposed in the plan." This is generally
5 referred to as the "feasibility" requirement of Section 1129(a)(11) of the Code. The Plan
6 provides for payment in full on the Effective Date of all Administrative Claims and Priority
7 Claims and for the payment of 75% of the Allowed Claims of all creditors who elect to remain in
8 Class 5. Accordingly, feasibility is not an issue for creditors in those Classes.

9 As for creditors who are to be paid over time, the twenty-four month cash flow projection
10 attached as Exhibit "D" shows that Debtor will operate profitably during the fifteen month period
11 over which payments will be made.¹ During this period, Debtor will sell or otherwise monetize
12 sufficient assets to make the required payments of approximately \$10,436,721. Debtor intends to
13 sell the Phoenix and Dillon Facilities and obtain a loan secured by its membership interest in its
14 Nutra SA subsidiary. It has listed the Phoenix Facility at \$6.2 million and the Dillon Facility at
15 \$5,000,000. In addition to these assets, Debtor has uninstalled equipment with a book value of
16 \$1,078,000, installed equipment with a book value of \$16,044,000, inventory with a book value
17 of \$1,580,000, and accounts receivable in the amount of \$1,141,000, of which it believes that
18 \$1,068,000 is collectible. Debtor's Rice Science and Rice Rx affiliates, which are 80% and 50%
19 owned, respectively, were appraised in June of 2010 by Columbia West Capital at between \$6.6
20 million and \$32.2 million. Debtor also has valuable intellectual property that has not yet been
21 appraised. As to Nutra SA, its subsidiary, Irgovel, was appraised in April of 2010 by Lakeshore
22 Financial Advisors at between \$16,305,000 and \$18,434,000. Because unsecured creditors will
23 be granted a lien in all of these assets to secure Debtor's payment obligations, the Proponents
24 submit that the Plan is more than feasible.
25
26

¹ Although Debtor believes that its cash flow projections are based upon reasonable assumptions, they should not be construed as a guaranty or assurance of future performance. The success of future operations could be adversely impacted by a number of factors, including changes in industry conditions, competition, general economic conditions, unforeseen events, and the like. Accordingly, the actual results achieved may vary from those projected.

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X. ALTERNATIVES TO THE PLAN

The Proponents have considered alternatives to the Plan, including a liquidation of Debtor's assets under Chapter 7 of the Code or under a liquidating plan. Liquidation would destroy Debtor's going concern value, substantially reduce the value of many of its assets (including its intellectual property, operating facilities, inventory and receivables) and result in the layoff of all of its employees. In addition, the amount of unsecured claims would substantially increase because of the huge termination damages that would flow from the rejection of a number of executory contracts, including, among others: (a) the lease of its headquarters space, which would result in termination damages of approximately \$276,000 million; (b) its long term agreement with Farmers' Rice Cooperative, which would result in termination damages of approximately \$1.6 million; (c) its employment agreements with senior management, which would result in termination damages of between \$625,000 and \$1,000,000; and, (d) its West Sacramento lease, which would result in termination damages of approximately \$150,000. In addition, the cure amounts owing to Rice Science and Rice Rx, in the total amount of approximately \$1.2 million, would still have to be paid but the value of those assets would be lost. Thus, liquidation would add claims of as much as \$3.026 million to the unsecured creditor class while reducing the value of Debtor's assets. Accordingly, the Proponents do not consider liquidation as a viable alternative to the Plan.

XI. RECOMMENDATION AND CONCLUSION

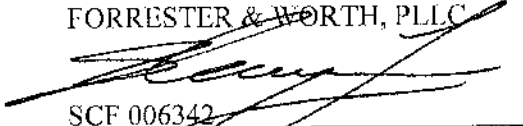
The Proponents believe that the Plan is in the best interests of all creditors and parties in interest and recommend that it be approved.

Dated this 10th day of August, 2010.

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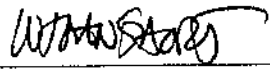
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FORRESTER & WORTH, PLLC



SCF 006342
S. Cary Forrester
Attorneys for Debtor

NUTRACEA, a California corporation
Debtor and Debtor-in-Possession



By W. John Short
CEO and Chairman of the Board

JENNINGS, STROUSS & SALMON, P.L.C.

CJJ 011894
Carolyn J. Johnsen
Attorneys for the Committee

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS

By /s/ Jim Michaels
Its Chairman

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List of Exhibits

- A. Plan of Reorganization
- B. 3-year performance chart
- C. Cash flow variance analysis (showing postpetition performance)
- D. 24-month cash flow projection
- E. Estimated pro forma balance sheet as of the Effective Date
- F. Waterfall showing sources and uses of monetization proceeds

EXHIBIT “A”

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ATTORNEYS FOR UNSECURED CREDITORS COMMITTEE

10 **UNITED STATES BANKRUPTCY COURT**
11 **DISTRICT OF ARIZONA**

12 In re:	Chapter 11
13	
14 NUTRACEA, a California corporation,	2:09-bk-28817-CGC
15 Debtor.	

16 **FIRST AMENDED PLAN OF REORGANIZATION PROPOSED BY DEBTOR**
17 **AND THE UNSECURED CREDITORS COMMITTEE**
18 **DATED AUGUST 10, 2010**

19 This First Amended Plan of Reorganization (the "**Plan**") is proposed by Debtor,
20 NutraCea, a California corporation, and the Official Committee of Unsecured Creditors (the
21 "**Committee**"), for the resolution of all outstanding creditor claims and equity interests. Debtor
22 and the Committee are sometimes referred to below as the "**Proponents.**" All creditors and
23 equity security holders are encouraged to consult the Disclosure Statement (the "**Disclosure**
24 **Statement**") before voting to accept or reject the Plan. The Disclosure Statement contains a
25 discussion of Debtor's history, a description of its assets, and a summary and analysis of the Plan.

1 NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE
2 STATEMENT AND THE MATERIALS ACCOMPANYING IT HAVE BEEN AUTHORIZED
3 BY THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCES OR
4 REJECTIONS OF THIS PLAN.

5
6 ARTICLE I
7 DEFINITIONS

8 Defined Terms. The following terms have the following meanings whenever used in the
9 Plan.

10 1. Administrative Claim means: (a) every cost or expense of administration of the
11 Bankruptcy Case, including any actual and necessary post-petition expenses entitled to priority
12 under Bankruptcy Code Sections 503(b) and 507(a)(1); (b) any actual and necessary post-petition
13 expenses of operating Debtor; (c) all fees and other charges of professionals approved by the
14 Bankruptcy Court pursuant to interim and final allowances in accordance with Bankruptcy Code
15 Sections 105, 330, 331, and 503(b); and, (d) all fees and charges assessed against the Estate under
16 28 U.S.C. § 1930.

17 2. Allowed Claim means every Claim, other than an Administrative Claim: (a)(i) as
18 to which a timely Proof of Claim has been filed within the time fixed by the Bankruptcy Court or,
19 if such Claim arises from an Executory Contract that is rejected by the Plan, no later than the
20 Confirmation Date or, if rejected pursuant to the Confirmation Order, the first Business Day that
21 is fifteen (15) days after the Confirmation Date, or (ii) which Debtor has scheduled in its
22 Schedules (including any amendments thereto) as liquidated in amount, undisputed and non-
23 contingent; and in either event: (b)(i) as to which no objection has been filed within any
24 applicable time period fixed by the Bankruptcy Court, or (ii) as to which the order allowing such
25 Claim has become final and non-appealable without any appeal, review, or other challenge
having been taken or with any such appeal, review or other challenge having been finally

1 resolved in favor of the Claimant. The term Allowed Claim may be used throughout the Plan
2 with each of the various Creditor's Claims or Classes of those Claims (e.g., "Allowed Class 1
3 Claims") to signify that such Claims must be, unless otherwise indicated, Allowed Claims to
4 qualify for their specified treatment under the Plan.

5 3. Avoidance Actions means all claims and causes of action under Sections 502, 542,
6 and 544-550 of the Bankruptcy Code, whether or not asserted or pending on the Confirmation
7 Date, which are to be preserved, administered, prosecuted, compromised, or otherwise disposed
8 of for the benefit of Creditors.

9 4. Bankruptcy Code or Code means Title 11 of the United States Code.

10 5. Bankruptcy Court or Court means the United States Bankruptcy Court for the
11 District of Arizona or any other court that may have jurisdiction over any particular proceeding
12 arising under, in or relating to this Chapter 11 case.

13 6. Case means Debtor's bankruptcy case before the Bankruptcy Court, and all
14 adversary proceedings, contested matters and other litigation arising in or related to the Case.

15 7. Ceutamed Note means the promissory note in the original principal amount of
16 \$3.2 million executed by Ceutamed in favor of Debtor.

17 8. Claim means "claim" as defined in Bankruptcy Code Section 101(5).

18 9. Claimant means the holder of a Claim.

19 10. Class Action Litigation means the class action securities lawsuit presently pending
20 in the United States District Court for the District of Arizona, entitled Jennifer Burritt,
21 individually and on behalf of all others similarly situated, vs. NutraCea, *et al.*, Case No. CV-09-
22 00406-PHX-FJM.

23 11. Committee means the Official Committee of Unsecured Creditors appointed on
24 November 19, 2009. The Committee is comprised of Brycon Corporation; Trea, Inc.; Halpern
25

1 Capital; Audio Visual Resources; Farmers Rice Milling Company, Inc.; MSS Technologies, Inc.;
2 and Wellington Foods, Inc..

3 12. Condition to Confirmation means the condition to confirmation set forth in Article
4 VI.

5 13. Confirmation Date means the date of entry of the Confirmation Order.

6 14. Confirmation Order means the appealable order of the Bankruptcy Court
7 confirming the Plan.

8 15. Debtor or Debtor-in-Possession means NutraCea, a California corporation.

9 16. Dillon Facility means the real property and improvements owned by Debtor and
10 located in Dillon, Montana,

11 17. Disclosure Statement means the Disclosure Statement pertaining to the Plan,
12 including any amendments or modifications thereto.

13 18. DIP Credit Facility means the Senior-Secured Superpriority Debtor-in-Possession
14 Credit and Security Agreement dated November 9, 2009, between Debtor and Wells Fargo, as
15 amended by the First Amendment to Senior Secured Super-Priority Debtor-in-Possession Credit
16 and Security Agreement, dated May 11, 2010, together with certain related agreements,
17 instruments, and documents, pursuant to which Wells Fargo provided Debtor with up to \$6.75
18 million in credit availability, secured by substantially all of Debtor's assets, exclusive of
19 intellectual property, and subject to a \$500,000 carve-out from Debtor's Louisiana assets for
20 professional and statutory fees.

21 19. Disputed Claim means a Claim, including one that is deemed filed pursuant to
22 Bankruptcy Code Section 1111(a), as to which Debtor or any other party in interest has filed an
23 objection within 90 days after the Effective Date and which has not been resolved by a Final
24 Order or pursuant to this Plan. Contingent Claims shall be treated as Disputed Claims for all
25

1 purposes relating to Distributions under the Plan until such time as any such contingent Claim
2 becomes fixed or absolute or becomes an Allowed Claim.

3 20. Distribution means the money or other property required by the Plan to be
4 distributed to the holders of Allowed Claims.

5 21. Effective Date means November 30, 2010, provided that the Condition to
6 Confirmation has been satisfied. Proponents may waive the Condition to Confirmation and/or
7 accelerate the Effective Date by a written notice to that effect filed with the Court at any time
8 after the Confirmation Order is entered.

9 22. Equity Security or Equity Interest means any ownership interest or share of stock
10 in Debtor and any warrant or right, other than a right to convert, to purchase, sell, or subscribe to
11 a share, security, or interest of a kind specified in 11 U.S.C. 101(16)(A) or (B).

12 23. Filing Date or Petition Date means November 10, 2009.

13 24. Final Order means an order, judgment or other decree of the Bankruptcy Court,
14 including, without limitation, a stipulation or other agreement which is "so ordered" by the
15 Bankruptcy Court, the operation or effect of which has not been reversed or stayed and as to
16 which order, judgment or other decree (or any revision, modification or amendment thereof) the
17 time to appeal or seek review has expired and as to which no appeal or petition for review or
18 certiorari has been taken or is pending or, if such appeal or petition has been taken or granted, it
19 has been finally resolved.

20 25. Penalty Claims means all claims for fines, penalties, forfeitures, multiple damages,
21 punitive damages, or exemplary damages not meant to compensate the claimant for actual
22 pecuniary loss.

23 26. Phoenix Facility means the real property and improvements located at 4502 West
24 Monterosa Street, in Phoenix, Arizona, which are owned by Debtor's wholly owned subsidiary,
25 NutraPhoenix, LLC.

1 27. Plan means this First Amended Plan of Reorganization dated August 10, 2010,
2 including any amendment or modification made in accordance with the applicable provisions of
3 the Code.

4 28. Prime Rate means the prime rate of interest as announced from time to time by the
5 Wall Street Journal.

6 29. Reorganized Debtor means Debtor on or after the Effective Date.

7 30. Retained Causes of Action means all Avoidance Actions and all other claims and
8 causes of action of every kind and nature whatsoever arising before the Effective Date which
9 have not been resolved or disposed of prior to the Effective Date, whether or not such claims or
10 causes of action are specifically identified in the Disclosure Statement.

11 31. Securities Claims means all Allowed Claims (a) arising from rescission of a
12 purchase or sale of a security of Debtor or an affiliate of Debtor, (b) for damages arising from the
13 purchase or sale of a such a security, or (c) for reimbursement or contribution allowed under
14 Bankruptcy Code Section 502 on account of such a claim.

15 32. Tax Claim Rate means the applicable rate of interest on tax claims under
16 Section 511 of the Bankruptcy Code, determined as of the Effective Date.

17 33. Unsecured Claim means all Allowed Claims for which there are no assets of
18 Debtor serving as security.

19 34. Wells Fargo means Wells Fargo Bank, N. A., acting through its Business Credit
20 operating division.

21 General Rules Regarding Defined and Undefined Terms. As used in this Plan, all
22 capitalized words and other terms defined in the Bankruptcy Code or the Rules of Bankruptcy
23 Procedure shall have the meanings given to them therein unless the context clearly requires
24 otherwise. For purposes of this Plan, the singular and plural uses of all defined terms and the
25

1 conjunctive and disjunctive uses thereof will be interchangeable (unless the context otherwise
2 requires), and the defined terms will include masculine, feminine, and neuter genders.

3
4 **ARTICLE II**
CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

5 All Allowed Claims and Allowed Equity Interests are placed in the classes described
6 below, and shall receive the treatment set forth in Article IV and in other sections of the Plan.

7 1. Unclassified Claims: All Allowed Administrative Claims.

8 2. Class 1 (Priority Claims): All Allowed Claims entitled to priority under Section
9 507 of the Bankruptcy Code other than the priority tax Claims classified in Class 2.

10 3. Class 2 (Priority Tax Claims): All Allowed Claims entitled to priority under
11 Section 507(a)(8) of the Bankruptcy Code and each holder of a secured claim that would
12 otherwise meet the description of a governmental unit under Section 507(a)(8) of the Bankruptcy
13 Code but for the secured status of the claim.

14 4. Class 3 (Wells Fargo): The Allowed Secured Claim of Wells Fargo.

15 5. Class 4 (Dell Computer): The Allowed Secured Claim of Dell Computer.

16 6. Class 5 (Administrative Convenience Claims). All Allowed Unsecured Claims of
17 \$5,000 or less, which do not elect to be treated under Class 6, but not including any priority
18 Claims.

19 7. Class 6 (General Unsecured Claims). All Allowed Unsecured Claims greater than
20 \$5,000, but not including any priority Claims.

21 8. Class 7 (Penalty Claims). All Penalty Claims.

22 9. Class 8 (Security Claims). All Allowed Securities Claims. Class 8 is divided into
23 two subclasses: Class 8(a), comprised of all those who are, or become, parties to the pending
24 settlement in the Class Action Litigation; and Class 8(b), comprised of the holders of all other
25 Allowed Securities Claims.

1 DEBTOR NOT LATER THAN 30 DAYS AFTER THE EFFECTIVE DATE, OR
2 SUCH CLAIM WILL BE DISALLOWED.

3 2. Class 1 (Priority Claims). Each holder of an Allowed Class 1 Claim shall be paid
4 in cash in full upon the Effective Date, or as soon thereafter as is reasonably practical. Class 1 is
5 unimpaired under the Plan.

6 3. Class 2 (Priority Tax Claims). Each holder of an Allowed Class 2 Claim shall be
7 paid in equal monthly payments determined by amortizing the principal and interest owing on
8 each such claim over a period of four years following the Effective Date, provided that the final
9 payment must be made no later than five years after the Petition Date. All principal payments to
10 any Class 2 Claimant shall be applied first to any portion of such Claim that is a “trust fund”
11 claim for which any of Debtor’s officers, directors, employees or shareholders may be personally
12 liable. All principal payments received by the Class 2 Claimants will be applied first to the oldest
13 outstanding taxes. At the time of each distribution to holders of Allowed Class 6 Claims, each
14 holder of an Allowed Class 2 Claim shall receive an additional amount sufficient to cause the
15 total amount then distributed to each Class 2 Claimant to be proportionate to the total amount
16 then distributed to each holder of an Allowed Class 6 Claim. Each holder of a secured Class 2
17 Claim shall retain its lien or other security interest until the Claim has been paid in full. Because
18 the Plan provides for payment in full of Class 2 Claims and complies with the requirements of
19 Bankruptcy Code Section 1129(a)(9)(C), Class 2 is not considered a voting class pursuant to
20 Bankruptcy Code Sections 1124(1) and 1126(f), and is deemed to have accepted the Plan. Class
21 2 is unimpaired under the Plan.

22 4. Class 3 (Wells Fargo Secured Claim). The amounts owing to Wells Fargo under
23 the DIP Credit Facility shall be paid in accordance with the terms of the DIP Credit Facility.
24 Wells Fargo will retain its liens and security interests until all amounts owing under the DIP
25 Credit Facility are paid in full and will be entitled to enforce all of its rights and remedies in the

1 event of any default thereunder, subject to any applicable notice and grace periods. Class 3 is
2 unimpaired under the Plan.

3 5. Class 4 (Dell Computer Secured Claim): Dell Computer will be paid the amount
4 of its Allowed Secured Claim in equal monthly installments determined by amortizing the
5 amount of such Allowed Secured Claim over a period of two years, starting on the first day of the
6 first full calendar month following the Effective Date. Dell Computer will retain its security
7 interest until its Allowed Secured Claim is paid in full. Class 4 is impaired under the Plan.

8
9 6. Class 5 (Administrative Convenience Claims). Each holder of an Allowed Class
10 Five claim who does not elect, on its ballot, to be treated as a holder of an Allowed Class Six
11 claim, will receive payment of 75% of the Allowed amount of its Claim on the Effective Date in
12 full satisfaction of its claim. Class 5 is impaired under the Plan.

13 7. Class 6 (General Unsecured Claims). Each holder of an Allowed Class 6 Claim
14 will be paid in full, together with interest on the Allowed principal amount of such Claim from
15 the Petition Date to the Effective Date at the Federal Judgment Rate as of the Effective Date
16 (currently .38%) and from the Effective Date until paid at 8.25% per annum. The payment
17 obligation will be secured by a lien (the “**Class 6 Lien**”) on all of Debtor’s assets. Funds realized
18 from the sale or other monetization of the assets will be allocated and distributed to Class 6
19 Claimants in the manner described in Article V(5) below. The lien will be enforced by the Plan
20 Agent, in the manner described in Article V(6), below, and will be junior to the liens and security
21 interest held by Wells Fargo, any other existing liens (such as tax liens), any lien granted to any
22 Person providing substitute exit financing to Debtor (subject to the same limitations as those
23 placed on subordination and payment of the agreed portion of the net loan proceeds, as set forth
24 below), and the existing Carve-Out for professional fees. The lien will be subordinated to any:
25 (a) substitute financing of the Revolving Credit Facility or Term Loan provided by Wells Fargo,

1 (b) financing involving Nutra SA, Rice Science, Rice Rx, Lake Charles or Mermentau,
2 conditioned on the Class 6 Claimants receiving the agreed portion of the net loan proceeds as
3 described in Article V(5) below; and (c) financing secured by any other assets, conditioned on the
4 Class 6 Claimants receiving the agreed portion of the net loan proceeds as described in Article
5 V(5) below. The minimum payment to Class 6 Claimants and/or Wells Fargo from any financing
6 at the Nutra SA level will be \$2.2 million. Class 6 is impaired under the Plan.

7 8. Class 7 (Penalty Claims). Each holder of an Allowed Class 7 penalty claim will
8 be paid in full over a period of not more than five years after the Effective Date, with interest on
9 the Allowed principal amount of such claim at the Prime Rate from the latter of the Effective
10 Date or the date upon which such penalty claim is assessed, until paid. No payments will be
11 made to holders of Class 7 Claims until Class 6 Claims have been paid in full.

12 9. Class 8(a) (Parties to Settlement of Class Action Litigation). The rights of all
13 holders of Allowed Class 8(a) Claims will be controlled by the settlement agreement in the Class
14 Action Litigation if and when it is approved on a final basis by the District Court. If the
15 settlement is not approved on a final basis, Class 8(a) will be deemed deleted from the Plan and
16 all Class 8(a) Claimants will be deemed transferred to Class 8(b). Class 8(a) is unimpaired under
17 the Plan.

18 10. Class 8(b) (All other Allowed Securities Claims). All Allowed Class 8(b) Claims
19 will be subordinated to the level of Class 9 common stock, pursuant to Section 510(b) of the
20 Bankruptcy Code. Holders of Allowed Class 8(b) Claims will receive distributions on account of
21 such claims at such times as dividends are paid to the holders of common stock. Holders of
22 Allowed Class 8(b) Claims who are also holders of common stock of Debtor will receive no
23 distribution on account of their Allowed Class 8(b) Claims but will, instead, receive dividends on
24 their stock. Holders of Allowed Class 8(b) Claims who are not holders of common stock of
25 Debtor will receive distributions equal to the dividend they would have received had they

1 invested the entire amount of their Allowed Class 8(b) Claim in common stock of Debtor at the
2 prevailing market price as of the record date of such distribution. For example, if the prevailing
3 market price is \$1.00 per share, the holder of an Allowed Class 8(b) Claim in the amount of
4 \$100,000 will receive a distribution equal to the dividend it would have received had it held
5 100,000 shares of common stock of Debtor as of the record date of the distribution. Such
6 distributions will be treated for all purposes as payments of debt by Debtor. Payments will
7 continue until the allowed amount of all Class 8(b) claims is paid in full, with interest at the
8 Prime Rate from the Effective Date until paid. Class 8(b) is unimpaired under the Plan.

9 11. Class 9 (Shareholders). All holders of Equity Securities in Debtor will retain their
10 Equity Securities. Class 9 is unimpaired under the Plan.

11 12. Disputed Claims shall be treated as follows: At the time of any Distribution to
12 holders of Allowed Claims, an amount sufficient to have paid each holder of a Disputed Claim its
13 pro rata share of such Distribution, calculated as though such Disputed Claim were an Allowed
14 Claim, shall be reserved for the potential benefit of the holders of such Disputed Claims, and
15 thereafter distributed in accordance with the terms and provisions of this Plan.

16
17 ARTICLE V
MEANS FOR EXECUTION OF THE PLAN

18 1. Sale of Phoenix and Dillon Facilities. Debtor will market and sell the Phoenix
19 Facility and the Dillon Facility as expeditiously as possible consistent with the goal of
20 maximizing the sales prices. From the proceeds, approximately \$1.9 million will be paid to
21 Wells Fargo, in satisfaction of the DIP Credit Facility, unless such amount has already been paid.

22 2. Exit Financing. Debtor is pursuing multiple financing transactions
23 simultaneously, and will endeavor to arrange one or more of the following transactions prior to
24 the Effective Date: (a) a loan or equity sale; (b) a loan to or equity sale by its wholly owned
25 Nutra SA, LLC, subsidiary, a portion of the proceeds of which will be used to discharge its

1 obligations under the Plan; or, (c) a loan to or equity sale by its 80% owned subsidiary, Rice
2 Science, LLC, and/or its 50% interest in Rice Rx, LLC, a portion of the proceeds of which will
3 be used to discharge its obligations under the Plan. Debtor will employ one or more investment
4 bankers to assist in arranging the financing transactions.

5 3. Revolving Credit Facility. Debtor has arranged for an extension of its Revolving
6 Credit Facility with Wells Fargo through December 31, 2010, and will endeavor to obtain
7 inventory and receivables financing beyond that date.

8 4. Proceeds from Liquidation of Excess Equipment. Debtor will sell certain excess
9 equipment not necessary to its continued operations as expeditiously as possible consistent with
10 the goal of maximizing the sales prices.

11 5. Lien for the Benefit of Claimants. The holders of Allowed Class 6 Claims will be
12 granted a lien (the “**Class 6 Lien**”) in all of Debtor’s assets. The following portions of all
13 monetization proceeds will be paid to Class 6 Claimants, up to the full amount owing to them,
14 except as otherwise provided below in the event of Debtor’s failure to satisfy a Payment
15 Benchmark, as defined in Article V(7), below:

16 (a) 75% of the net proceeds from the sale of the Phoenix Facility or the Dillon Facility.
17 The term “**net proceeds**” as used in this Plan means net of (a) any required
18 payment to Wells Fargo, and (b) any and all closing costs, title insurance
19 premiums, attorneys’ fees, escrow fees, prorations, commissions, and other costs,
20 fees and expenses of any kind associated with the sale;

21 (b) 40% of the first \$5.0 million in net proceeds from the monetization (debt or equity
22 raise) of Debtor’s interest in its Nutra SA subsidiary that are permitted to be paid
23 upstream to the Debtor, and 50% of any net proceeds over \$5.0 million that are
24 permitted to be paid upstream to the Debtor. The minimum required payment to
25 Class 6 Claimants and/or Wells Fargo from any such monetization is \$2.2 million,
and Debtor must retain a 51% controlling ownership interest in Nutra SA unless

1 Class 6 Claimants are paid in full. Debtor may use \$2 million of the net proceeds
2 to resolve cash needs at the Irgovel level and up to \$1.2 million to cure defaults
3 under the Rice Science and Rice Rx limited liability company agreements,
4 provided that Class 6 Claimants and/or Wells Fargo receive a minimum of \$2.2
5 million. Any amounts required by a lender or investor to be used by Irgovel for
6 expansion projects will be excluded from this calculation;

7 (c) 50% of the net proceeds from an equity raise from the sale of Debtor's interest in
8 Rice Science and/or Rice Rx, after payment of approximately \$1.2 million in
9 required cure amounts;

10 (d) 50% of the net proceeds from the sale of any loose (uninstalled) equipment that
11 occurs on or before the Effective Date, and 100% of the net proceeds from the sale
12 of any loose (uninstalled) equipment that occurs after the Effective Date.

13 (e) 50% of any prepayment of the amounts owing on the Ceutamed Note received on
14 or before the Effective Date, and 75% of any prepayment of the amounts owing on
15 the Ceutamed Note received after the Effective Date. In any event, if there is no
16 prepayment, payments made to Debtor on the Ceutamed Note will be paid to Class
17 6 Claimants commencing on April 1, 2011, pursuant to Article V(8) below.

18 (f) 75% of the net proceeds from the sale or monetization of the Lake Charles
19 improvements or the Mermentau Facility, after funding the Carve-Out for
20 professional fees (if still required by the terms of the DIP Credit Facility);

21 (g) 75% of the net proceeds from the monetization of any other assets;

22 (h) 100% of any net recoveries from avoidance actions or actions against former
23 officers and directors;

24 (i) In the event of a sale of any of the foregoing assets, the Class 6 Lien on said assets
25 will be released at the closing. In the event of a financing transaction involving
Nutra SA, Rice Science, Rice Rx, Lake Charles or Mermentau, the Class 6 Lien will

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be subordinated to that of the new lender, on those assets only, provided that the Class 6 Claimants receive the required payment amount, as set forth above.

The Class 6 Lien shall be valid and perfected without the necessity of filing or recording any mortgage, deed of trust, financing statement or other instrument, but Debtor or Plan Agent may nonetheless file or record a mortgage, deed of trust, financing statement or other instrument. The Class 6 Lien will be granted and become effective as of the Effective Date, but will not attach to funds earmarked for the payment of claims that are due on the Effective Date. Upon payment of all amounts owing to Class 6 Claimants under the Plan, the Plan Agent shall release the Class 6 Lien of record.

6. Plan Agent. By no later than the Confirmation Date, the Proponents will jointly designate a Plan Agent by filing a notice to that effect with the Court. The Plan Agent will have the following powers and duties: (a) to review and approve any disbursements to creditors proposed by Debtor; (b) to enforce Debtor's obligations to holders of Allowed Class 6 Claims under the Plan; (c) to enforce the Class 6 Lien, including, without limitation, the power to sell assets in the order set forth below, upon any applicable default, as expeditiously as possible consistent with the goal of maximizing the sales prices and in accordance with the terms of the Plan; and, (d) to review and approve settlements proposed by Debtor of claims that involve an amount in dispute of more than \$25,000. Debtor shall provide to Plan Agent in advance of any proposed disbursements a schedule showing the amounts to be disbursed to each creditor. Plan Agent shall have five (5) business days to review and approve the proposed disbursements. In the event that Debtor and the Plan Agent are unable to agree on any proposed disbursement or settlement, the matter will be submitted to and resolved by the Bankruptcy Court. The compensation to be paid to the Plan Agent will be detailed in the notice filed with the Court and will be paid by the Reorganized Debtor. By no later than the twentieth (20th) day of each month,

1 Debtor will provide the Plan Agent with its normal internally-generated monthly financial
2 reporting information for the preceding month.

3 7. Payment Benchmarks. Debtor's satisfaction of each of the following payment
4 benchmarks will be determined by selecting one Allowed Claim, such as Trea's, adding accrued
5 interest, and dividing that into the amount that has been paid on that Claim. The calculation will
6 be: $\$(\text{claim}) + \$(\text{interest}) \times .50 = \text{Payment Benchmark 1}$. For example, if accrued interest on
7 the date of payment is \$7,268.08 and the Allowed Claim is \$155,052.44, then the first Payment
8 Benchmark is \$81,160.26 paid to Trea ($\$7,268.08 + \$155,052.44 \times .50$). The payment
9 benchmarks are as follows:

10 (a) Payment Benchmark 1. If, by no later than July 15, 2011, Debtor has neither: (i)
11 closed on the sale of both facilities; nor (ii) paid the Class 6 Claimants 50% of the
12 total allowed amount of their claims, then the Plan Agent may control and direct, in
13 its sole discretion, and without interference by Debtor, the: (i) sale of the Phoenix
14 Facility; (ii) sale of the Dillon Facility; and (iii) the sale of any loose equipment. In
15 such event, the Class 6 Claimants will retain 100% of all net proceeds from the sale
16 of the loose equipment. Such sales will be conducted as expeditiously as possible
17 by the Plan Agent consistent with the goal of maximizing the sales prices and may
18 only continue until the Class 6 Claimants have received 50% of the total allowed
19 amount of their claims.

20 (b) Payment Benchmark 2. If, by no later than October 15, 2011, Debtor has neither:
21 (i) closed on the sale of both facilities; nor (ii) paid the Class 6 Claimants 75% of
22 the total allowed amount of their claims, then the Plan Agent may control and
23 direct, in its sole discretion, and without interference by Debtor, the: (i) sale of the
24 Phoenix Facility; (ii) sale of the Dillon Facility; and (iii) the sale of any loose
25 equipment. In such event, the Class 6 Claimants will retain 100% of all net

1 proceeds from the sale of the loose equipment. Such sales will be conducted as
2 expeditiously as possible consistent with the goal of maximizing the sale prices and
3 may only continue until the Class 6 Claimants have received 75% of the total
4 allowed amount of their claims.

5 (c) Payment Benchmark 3. If, by no later than January 15, 2012, Debtor has not paid
6 the Class 6 Claimants 100% of the total allowed amount of their claims, then the
7 Plan Agent may control and direct, in its sole discretion, and without interference
8 by Debtor the: (i) sale of the Phoenix Facility; (ii) the sale of the Dillon Facility;
9 (iii) the sale of any loose equipment; (iv) the sale of the equipment located in
10 Debtor's Lake Charles facility and, (v) the sale of any other pledged assets. In
11 selling such assets, the Plan Agent shall use his or her reasonable best efforts to sell
12 as few assets as possible, in terms of the value, to satisfy the remaining
13 indebtedness. In such event, the Class 6 Claimants will retain 100% of all net
14 proceeds from such sales. Net proceeds from any sale of Debtor's interest in Rice
15 Science and Rice Rx will be net of any unpaid obligations owing to those entities
16 or to Herbal Science Singapore in regard to those entities.

17
18 8. Proceeds of Ceutamed Note. Beginning with the payment due on April 1, 2011,
19 all payments under the Ceutamed Note will be deposited in a segregated bank account and
20 distributed to the Class 6 Claimants on at least a quarterly basis. Such payments will begin no
21 later than June 15, 2011.

22 9. Disbursing Agent. The Reorganized Debtor will function as disbursing agent
23 under the Plan and will not be compensated for its services.

24 10. Management and Personnel--2010 EIP. The Reorganized Debtor will retain the
25 services of Debtor's present management and staff. The identity and compensation of all

1 members of senior management and all of Debtor's Board of Directors is set forth in the
 2 Disclosure Statement and is incorporated herein by reference. All members of senior
 3 management and most rank and file employees will be eligible to participate in the 2010
 4 Employee Incentive Plan. The 2010 Employee Incentive Plan has two components:

5 a. Total Cash Bonus to Employees and Executive Officers

	Effective Date of Plan of Reorganization	3 Months After Effective Date	6 Months After Effective Date
CEO	\$150,000	\$75,000	\$75,000
President/COO	\$150,000	\$75,000	\$75,000
Other Executive Officers	\$35,000	\$15,000	\$15,000
All Other Employees	\$165,000	\$100,000	\$60,000
Total	\$500,000	\$265,000	\$225,000

12 Bonuses totaling \$990,000 will be available to all those who are eligible employees as of the
 13 Effective Date and at three and six month intervals thereafter, provided that Debtor has
 14 successfully exited bankruptcy and has achieved positive EBITDAR. Such bonuses may be paid
 15 only in proportion to distributions made to holders of Allowed Class 6 Claims, and only if: (i) the
 16 Compensation Committee of the Board of Directors, in its sole and absolute discretion,
 17 determines that Debtor has sufficient cash to meet all of its reasonably anticipated cash
 18 requirements; and, (ii) the Plan Agent, in his or her sole and absolute discretion, approves the
 19 payment of such bonuses. For example, if holders of Allowed Class 6 Claims have received
 20 distributions equal to 40% of the Allowed amounts of their Claims, then 40% of the bonus pool
 21 may be distributed, provided that the conditions set forth above are satisfied. To be eligible to
 receive a cash bonus, each staff member must be employed at the time payment is made.

22 b. Stock Options to Employees and Executive Officers

Position	Options to be Issued
CEO	5,000,000
President/COO	4,500,000
All Other Employees	15,100,000
Total	24,600,000

1 Eligible employees may receive new stock option grants to purchase a total of 24.6 million shares
2 of common stock, exercisable at a price per share equal to the higher of \$0.20 and the market
3 price on the dates of grant. Debtor's CEO, W. John Short, and Debtor's President and COO, Leo
4 Gingras, may each receive a new stock grant to purchase a total of 5,000,000 and 4,500,000
5 shares, respectively, of common stock at a price per share equal to the higher of \$0.20 and the
6 market price on the dates of grant. The new stock option grants will vest as follows: 20% will
7 vest immediately upon grant, 20% will vest upon the Effective Date and 60% will vest monthly
8 as to 1/48th of the remaining amount over four years commencing on the first monthly
9 anniversary of the Effective Date.

10 c. Repricing of Employees' Stock Options

Position	Options to be Repriced
CEO	0
President/COO	1,500,000
All Other Employees	7,500,000
Total	9,000,000

15 All existing stock options held by employees that have exercise prices greater than \$0.20 may be
16 repriced to reduce the per share exercise prices to the higher of \$.20 or the market price on the
17 effective date of the repricing. No existing stock option will be repriced if the resulting repricing
18 increases such stock option's exercise price. There are employee stock options to purchase
19 approximately nine million shares of common stock which will be repriced. The Debtor's
20 President and COO, Leo Gingras, is the only executive officer of Debtor eligible for the above
21 repricing. Mr. Gingras currently has an option for 1,500,000 shares of common stock at an
22 exercise price of \$0.22 which may be subject to the repricing.

23 11. Authority to Settle and Assign. In accordance with Bankruptcy Code Section
24 1123(b)(3), the Reorganized Debtor will own and retain, and may prosecute, enforce,
25 compromise, settle, release, or otherwise dispose of, any and all claims, defenses, counterclaims,

1 setoffs, and recoupments belonging to Debtor or the Estate, without further order of the Court,
2 subject to approval by the Plan Agent under the circumstances described above.

3 12. Location of Claimants and Uncashed Distribution Checks.

4 (a) Bad Addresses. If the Reorganized Debtor is unable to locate a Claimant, it will
5 hold the amount of any Distribution to such Claimant as though such Claim were a Disputed
6 Claim. Such amount shall be held for 120 days and, if the address of the Claimant is then still
7 unknown, such amount shall be distributed to other Claimants holding Allowed Claims or
8 retained by Debtor if all other Claims are then paid in full. The Reorganized Debtor will have
9 fulfilled any duty that it may have to locate the holder of a Claim by mailing any Distribution to
10 the address for that Claimant set forth in the Master Mailing List or in any Proof of Claim or
11 Notice of Appearance filed with the Court. The Reorganized Debtor will be under no obligation
12 to undertake further efforts to locate the holder of a Claim if the Distribution is returned
13 "addressee unknown," and the Reorganized Debtor may delete any such Claimant from its
14 mailing list.

15 (b) Uncashed Distribution Checks. Any Distribution check that has not been returned
16 by the U.S. Post Office but which has not been cashed within 60 days after it is mailed, shall be
17 deemed undeliverable. The Reorganized Debtor shall be authorized to stop payment on such
18 check and the payee shall thereafter be treated in the manner set forth above for Claimants whose
19 addresses are unknown.

20 13. Notices. In order to minimize the expense of providing notices after the
21 Confirmation Date, notice of matters brought before the Court after the Confirmation Date will
22 be limited to those on the Official Notice Service List established by order of the Court entered
23 on December 30, 2009 (Dkt. No. 139), as amended from time to time.
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ARTICLE VI
EFFECTIVE DATE/CONDITION TO CONFIRMATION

The Effective Date of the Plan will be November 30, 2010, provided that 14 days have passed after entry of the Confirmation Order. Proponents may waive the Condition to Confirmation and/or accelerate the Effective Date by a written notice to that effect filed with the Court at any time after the Confirmation Order is entered.

ARTICLE VII
EFFECT OF CONFIRMATION

1. Discharge. Except as otherwise specifically provided in the Plan, confirmation of the Plan shall discharge Debtor from any debt that arose prior to the Confirmation Date and any debt of a kind specified in Sections 502(g) through (i) of the Bankruptcy Code, whether or not a proof of claim based upon such debt is filed or deemed filed under Section 501 of the Bankruptcy Code, whether or not such Claim is allowed under Section 502 of the Bankruptcy Code, and whether or not the holder of such Claim has accepted the Plan. The provisions of this Article are not intended to, nor shall they be construed as, limiting the scope of the discharge provided by Section 1141 of the Bankruptcy Code.

2. Automatic Stay and Post-Confirmation Injunction. Notwithstanding any other provisions of the Plan, the automatic stay shall terminate on the Effective Date, but all holders of Claims dealt with by the Plan, and all creditors who received notice of the Case, shall be enjoined from pursuing collection of their Claims from the assets of Debtor, the estate and the Reorganized Debtor.

3. Release and Extinguishment of Liens, Claims and Encumbrances. Except as otherwise provided herein, all property dealt with by the Plan is free and clear of all liens, claims and interests of creditors and Equity Security holders from and after the Effective Date.

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ARTICLE IX
RETENTION AND ENFORCEMENT OF CLAIMS

The Plan preserves in full for the benefit of the Reorganized Debtor the Retained Causes of Action and all other claims and causes of action of any sort owned by Debtor or estate, pursuant to Section 1123(b)(3) of the Code, other than those expressly released by the terms hereof. Such Retained Causes of Action and all other claims and causes of action shall be controlled by the Reorganized Debtor. The Reorganized Debtor is hereby designated as the estate representative pursuant to and in accordance with Bankruptcy Code Section 1123(b)(3)(B).

ARTICLE X
MODIFICATION OF PLAN

The Proponents reserve the right to propose modifications or amendments to the Plan at any time prior to the Confirmation Date. After confirmation, the Reorganized Debtor may, with Court approval, and so long as it does not materially or adversely affect the interests of creditors, remedy any defect or omission, or reconcile any inconsistencies in the Plan or in the Confirmation Order, in such manner as may be necessary to carry out the purposes and effect of the Plan. The foregoing provisions of this Article X do not limit the ability of any party to modify the Plan under Bankruptcy Code Section 1127 and applicable Rules.

ARTICLE XI
EXCULPATION

The Proponents, the Plan Agent, and their advisors, attorneys, consultants and agents (the “**Exculpated Parties**”) will neither have nor incur any liability to any holder of a Claim or Equity Security, or any other party in interest, or any of their respective shareholders, former shareholders, members, former members, agents, employees, representatives, financial advisors, attorneys, consultants, affiliates, successors or assigns (the “**Exculpating Parties**”), for any acts or omissions relating to or arising out of this Case, the preparation for and administration of this Case, or the negotiation, execution, confirmation, consummation or administration of the Plan (the

1 “**Exculpated Acts**”), other than acts of gross negligence, fraud or willful misconduct. The
2 Exculpating Parties shall have no right of action against any of the Exculpated Parties for any of
3 the Exculpated Acts, and the Exculpated Parties are released of and from all claims or liabilities,
4 known or unknown, arising out of or related to the Exculpated Acts. The provisions of this
5 Article shall not be deemed to limit any existing protections or immunities afforded to the
6 Exculpated Parties under existing law. The provisions of this Article shall not apply to any claim,
7 action or cause of action by the SEC, and the SEC shall not be included in the definition of
8 “Exculpating Parties.”

8 ARTICLE XII
9 RETENTION OF JURISDICTION

10 Notwithstanding confirmation of this Plan, the Bankruptcy Court shall retain jurisdiction
11 for the following purposes:

12 1. To determine the allowability of Claims and Equity Interests upon objection to
13 such Claims or Equity Interests by Debtor or by any other party in interest.

14 2. To consider requests for payment of Claims entitled to priority under Code
15 Section 507(a), including, without limitation, compensation of professionals pursuant to
16 Sections 330 and 503.

17 3. To hear, determine and enforce all claims and causes of action which may exist on
18 behalf of Debtor or the estate, including, but not limited to, any right of the Reorganized Debtor
19 or the estate to recover assets pursuant to the provisions of the Code, whether or not such claims,
20 causes of action, or rights are Retained Causes of Action, and whether they are pursued by the
21 Reorganized Debtor or another appropriate party.

22 4. To consider and act upon the compromise and settlement of any Claims against, or
23 cause of action on behalf of, Debtor or the Estate.

24 5. To resolve controversies and disputes regarding the interpretation or enforcement
25 of the terms of the Plan, or any documentation relating thereto.

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4. Vesting. As of the Effective Date, the Reorganized Debtor will be vested with all property of Debtor and the Estate free and clear of all Claims, liens, security interests, assignments, encumbrances, charges, and other interests of Creditors, except as otherwise provided in the Plan.

5. Successors and Assigns. The rights and obligations of any Creditor or holder of an Equity Interest referred to in the Plan will be binding upon, and will inure to the benefit of, the successors, assigns, heirs, devisees, executors, and personal representatives of such Creditor or such holder of an Equity Interest.

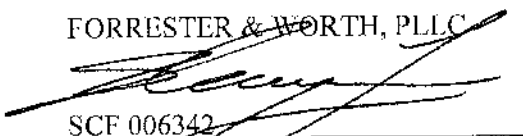
6. Payment of Statutory Fees and Filing of Quarterly Reports. All fees payable pursuant to 28 U.S.C. Section 1930, as determined by the Bankruptcy Court at or in conjunction with the Confirmation Hearing, will be paid on or before the Effective Date, and thereafter, in accordance with applicable bankruptcy law. Debtor has paid \$19,502 to date in such fees. All quarterly reports of disbursements required to be filed by applicable bankruptcy law will be filed in a timely manner.

Dated this 10th day of August, 2010.

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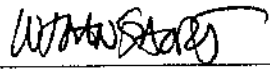
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FORRESTER & WORTH, PLLC



SCF 006342
S. Cary Forrester
Attorneys for Debtor

NUTRACEA, a California corporation
Debtor and Debtor-in-Possession



By W. John Short
CEO and Chairman of the Board

JENNINGS, STROUSS & SALMON, P.L.C.

CJJ 011894
Carolyn J. Johnsen
Attorneys for the Committee

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS

By /s/ Jim Michaels
Its Chairman

EXHIBIT “1” TO PLAN OF REORGANIZATION
ASSUMED EXECUTORY CONTRACTS

NAME OF OTHER PARTY TO EXECUTORY CONTRACT OR LEASE	DESCRIPTION OF CONTRACT OR LEASE
Louisiana Rice Mill, LLC	Supply Agreement
Farmers’ Rice Milling Company, Inc.	Ground Lease-Lake Charles—already assumed
Farmers’ Rice Milling Company, Inc.	Warehouse Lease-Lake Charles—already assumed
Farmers’ Rice Cooperative	Asset Purchase Agreement and SRB Processing, Sales and Marketing Agreement
ADM Rice, Inc.	Arbuckle Supply Agreement
Sacramento Southport, LLC	Office and Warehouse Lease—already assumed
Herbal Science Singapore Pte. Ltd.	Rice Science LLC Agreement
Herbal Science Singapore Pte. Ltd.	Rice Science LLC License Agreement
Herbal Science Singapore Pte. Ltd.	Rice Science LLC R&D Agreement
Herbal Science Singapore Pte. Ltd.	Rice Science LLC Supply Agreement
Herbal Science Singapore Pte. Ltd.	Rice Rx LLC Agreement
Herbal Science Singapore Pte. Ltd.	Rice RX LLC License Agreement
Herbal Science Singapore Pte. Ltd.	Rice RX LLC R&D Agreement
Herbal Science Singapore Pte. Ltd.	Rice RX LLC Supply Agreement
W. John Short	Employment Agreement
Leo Gingras	Employment Agreement
Bhavesh Patel	Employment Agreement
Daniel Beckett	Employment Agreement
David Hutchinson	Employment Agreement
Kevin Krall	Employment Agreement
NutraPhoenix	Lease of Phoenix Plant
Stratify	Legal Discovery Services Agreement—already assumed

EXHIBIT “1” TO PLAN OF REORGANIZATION
ASSUMED EXECUTORY CONTRACTS

Pacific Advisers Holding Ltd. Theorem Capital Ho’okipa Capital Partners	Grain Enhancements LLC Agreement
Pacific Advisers Holding Ltd. Theorem Capital Ho’okipa Capital Partners	Grain Enhancements LLC License Agreement
Pacific Advisers Holding Ltd. Theorem Capital Ho’okipa Capital Partners	Grain Enhancements LLC Supply Agreement
Bright Foods Peak Capital, Inc. NutraCea Offshore	Nutra Offshore Shareholders Agreement
Anthony LeCour	Personal Service Contract
Henk Hoogenkamp	Consulting Agreement
Leysam	Distribution Contract
MedChem, Victus International Pty Ltd	Distribution Contract
PHD Technologies, LLC	Research contract
De Lage Landen Financial	Copier Lease
GE Capital	Copier Lease
Pacific Office Automation	Copier Lease

EXHIBIT “B”

NutraCea Consolidated Net Loss

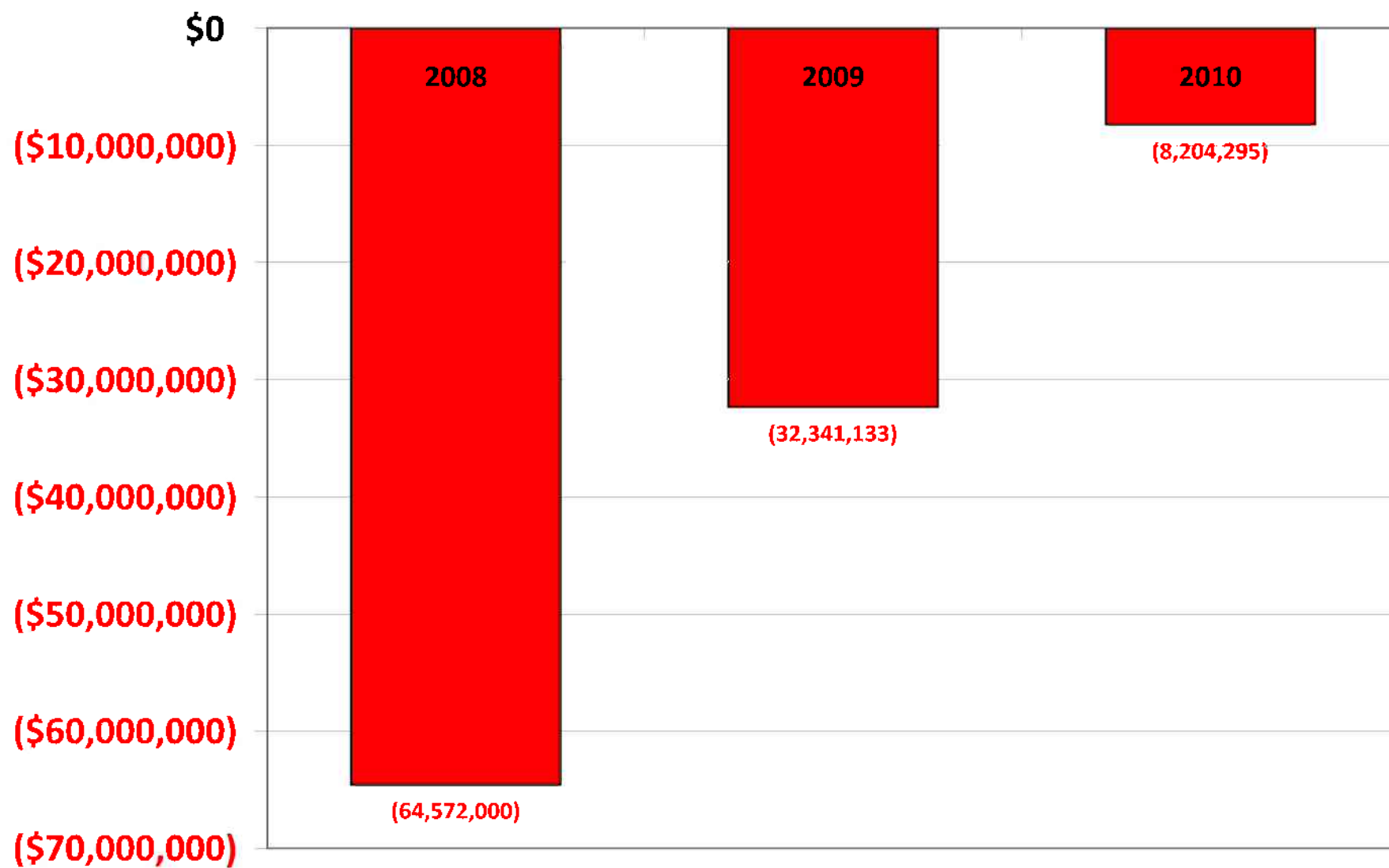


EXHIBIT “C”

Exhibit C

Cash Flow Variances

Petition Date to Week Ended 06/12/10

	Budget	Actual	Variance
RECEIPTS			
Accounts Receivable	\$ 9,035,000	\$ 6,949,515	\$(2,085,485)
Accounts Receivable - Biostime	737,000	1,311,320	574,320
Other Receipts	808,500	808,504	4
Total Receipts	\$ 10,580,500	\$ 9,069,339	\$(1,511,161)
DISBURSEMENTS			
Distribution			
<i>Raw Materials - Bran</i>	\$ 4,934,000	\$ 2,757,738	\$ 2,176,262
<i>Raw Materials - Non-Bran</i>	568,000	206,812	361,188
<i>Payroll</i>	375,000	375,000	-
<i>Raw Materials - Biostime</i>	400,000	670,887	(270,887)
<i>Freight - Inbound</i>	279,000	146,208	132,792
	\$ 6,556,000	\$ 4,156,645	\$ 2,399,355
General			
<i>Payroll</i>	\$ 2,258,000	\$ 1,925,686	\$ 332,314
<i>Employer Costs - Benefits and Misc</i>	608,000	705,966	(97,966)
<i>Employer Costs - Other Labor</i>	210,000	227,500	(17,500)
<i>Employer Taxes</i>	176,000	196,890	(20,890)
<i>Rent</i>	188,500	161,043	27,457
<i>Rent - Corporate Office</i>	360,000	285,660	74,340
<i>Freight Out</i>	378,000	390,484	(12,484)
<i>Freight Out - Biostime</i>	70,000	136,348	(66,348)
<i>Utilities</i>	372,000	410,497	(38,497)
<i>Insurance</i>	155,000	475,257	(320,257)
<i>Outside Services - Legal</i>	210,000	231,672	(21,672)
<i>Outside Services - Accounting</i>	215,000	-	215,000
<i>Outside Services - Other - SEC Legal</i>	100,000	-	100,000
<i>Travel</i>	440,000	375,296	64,704
<i>Office Supplies</i>	124,000	13,880	110,120
<i>Mortgage Interest - DIP Interest</i>	322,800	223,746	99,054
<i>Mortgage Loan Repayment</i>	303,000	303,000	-
<i>BOD Compensation</i>	-	78,750	(78,750)
<i>Other</i>	780,000	826,296	(46,296)
	\$ 7,270,300	\$ 6,967,971	\$ 302,329
Total Disbursements	\$ 13,826,300	\$ 11,124,616	\$ 2,701,684
NET CASH FLOW BEFORE NON-RECURRING	\$ (3,245,800)	\$ (2,055,277)	\$ 1,190,523
NON-RECURRING EVENTS & RESTRUCTURING CHARGES			
Asset Monetizations	-	4,904,000	4,904,000
Term Loan Repayment	-	(1,469,592)	(1,469,592)
DIP Financing fees	-	(111,613)	111,613
Professional Fees	(1,360,000)	(315,574)	1,044,426
	\$ (1,360,000)	\$ 3,007,221	\$ 4,590,447
NET CASH FLOW AFTER NON-RECURRING	\$ (4,605,800)	\$ 951,944	\$ 5,780,970
CASH BALANCE ROLL FORWARD:			
Beginning Cash Balance	26,959	26,959	-
Net Cash Flow before Non-recurring	(3,245,800)	(2,055,277)	1,190,523
DIP Proceeds Advanced	4,620,000	-	(4,620,000)
Asset Monetization Cash	-	4,904,000	4,904,000
Term Loan Repayment	-	(1,469,592)	(1,469,592)
Restructuring Charges	(1,360,000)	(427,187)	932,813
Ending Cash Balance as of 6/12/10	41,159	978,903	937,744

EXHIBIT “D”

EXHIBIT D

NutraCea
Monthly Cash Flow Projection
Payments to Creditors
Amount Owed/(Paid)

	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011
Class 1 - Priority:													
Balance due on Effective Date	13,635												
Paid in full on Effective Date	<u>(13,635)</u>												
Remaining balance due	<u>-</u>												
Class 2 - Priority Tax:													
Balance due on Effective Date	326,792	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest at 12%	-	2,549	2,507	904	888	873							
Payment	<u>(79,287)</u>	<u>(6,712)</u>	<u>(180,524)</u>	<u>(2,461)</u>	<u>(2,461)</u>	<u>(63,067)</u>							
Remaining balance due	<u>247,505</u>	<u>243,342</u>	<u>65,324</u>	<u>63,767</u>	<u>62,194</u>	<u>-</u>							
Class 3 - Secured Wells Fargo:													
Balance due on Effective Date	674,337 [3]	623,837	573,337	522,837	472,337	421,837							
Accrued Interest	5,619	5,199	4,778	4,357	3,936	3,515							
Payment	<u>(56,119)</u>	<u>(55,699)</u>	<u>(55,278)</u>	<u>(54,857)</u>	<u>(54,436)</u>	<u>(425,352)</u>							
Remaining balance due	<u>623,837</u>	<u>573,337</u>	<u>522,837</u>	<u>472,337</u>	<u>421,837</u>	<u>-</u>							
Class 4 - Secured Dell:													
Balance due on Effective Date	4,301	-											
Payment	<u>-</u>	<u>(4,301)</u>											
Remaining balance due	<u>4,301</u>	<u>-</u>											
Class 5 - Convenience:													
Balance due on Effective Date	183,583												
Paid in full on Effective Date	<u>(183,583)</u>												
Remaining balance due	<u>-</u>												
Class 6 - General Unsecureds													
Balance due on Effective Date	6,159,348	-	-	-	-	-							
Accrued Interest from 11/10/09 to 11/30/10 at .38%	24,688	-	-	-	-	-							
Accrued Interest at 8.25%	42,346	32,072	32,072	9,101	9,101	9,101							
Paid to mechanic lien holders out of closing	-	-	(631,000)	-	-	-							
Payment	<u>(1,494,400) [2]</u>	<u>(3,341,223)</u>	<u>-</u>	<u>-</u>	<u>(851,204)</u>	<u>-</u>							
Remaining balance due	<u>4,731,982</u>	<u>4,764,053</u>	<u>823,902</u>	<u>833,002</u>	<u>842,103</u>	<u>-</u>							
Class 7 - Penalties													
Class 7 - Penalties	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 8 - Security Related													
Class 8 - Security Related	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 9 - Shareholders													
Class 9 - Shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Payments Made to Creditors	<u>(1,827,024)</u>	<u>(66,712)</u>	<u>(3,577,025)</u>	<u>(57,318)</u>	<u>(56,897)</u>	<u>(1,339,623)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

FOOTNOTES:

- [2] Payment made out of escrowed funds of \$1.4944 million from debt/equity raise at Nutra SA that occurred prior to Effective Date.
 [3] Term note was paid down by \$934,000 at closing of Nutra SA debt/equity raise prior to Effective Date.

EXHIBIT D

**NutraCea
Monthly Cash Flow Projection
For Years 2011 and 2012**

	2012												
	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	TOTALS
REVENUES													
Net Revenues - West Sac/Dillon	\$ 780,000	\$ 819,000	\$ 858,000	\$ 825,000	\$ 864,000	\$ 864,000	\$ 872,000	\$ 872,000	\$ 908,333	\$ 975,000	\$ 975,000	\$ 936,000	\$ 10,548,333
Net Revenues - Mermentau	346,667	364,000	381,333	374,000	398,000	398,400	402,000	402,000	416,667	437,500	437,500	384,000	4,742,067
Net Revenues - Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	<u>\$ 1,126,667</u>	<u>\$ 1,183,000</u>	<u>\$ 1,239,333</u>	<u>\$ 1,199,000</u>	<u>\$ 1,262,000</u>	<u>\$ 1,262,400</u>	<u>\$ 1,274,000</u>	<u>\$ 1,274,000</u>	<u>\$ 1,325,000</u>	<u>\$ 1,412,500</u>	<u>\$ 1,412,500</u>	<u>\$ 1,320,000</u>	<u>\$ 15,290,400</u>
RECEIPTS													
Accounts Receivable	1,115,000	1,113,333	1,154,833	1,211,167	1,219,167	1,230,500	1,262,200	1,268,200	1,274,000	1,299,500	1,368,750	1,412,500	14,929,150
Ceutamend Note Payments	100,000	100,000	100,000	100,000	100,000	100,000	-	-	-	-	-	-	600,000
Other Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	<u>1,215,000</u>	<u>1,213,333</u>	<u>1,254,833</u>	<u>1,311,167</u>	<u>1,319,167</u>	<u>1,330,500</u>	<u>1,262,200</u>	<u>1,268,200</u>	<u>1,274,000</u>	<u>1,299,500</u>	<u>1,368,750</u>	<u>1,412,500</u>	<u>15,529,150</u>
DISBURSEMENTS													
Production Related:													
Raw Materials - Bran	349,267	366,730	384,193	371,690	391,220	391,344	394,940	394,940	410,750	437,875	437,875	409,200	4,740,024
Raw Materials - Non-Bran	45,067	47,320	49,573	47,960	50,480	50,496	50,960	50,960	53,000	56,500	56,500	52,800	611,616
Payroll	22,767	22,767	34,150	22,767	22,767	22,767	22,767	22,767	34,150	22,767	22,767	22,767	295,967
Payroll Taxes & Empl. Benefits	4,098	4,098	6,147	4,098	4,098	4,098	4,098	4,098	6,147	4,098	4,098	4,098	53,274
Freight - Inbound	30,420	31,941	33,462	32,373	34,074	34,085	34,398	34,398	35,775	38,138	38,138	35,640	412,841
Subtotal	<u>451,618</u>	<u>472,856</u>	<u>507,526</u>	<u>478,888</u>	<u>502,639</u>	<u>502,789</u>	<u>507,163</u>	<u>507,163</u>	<u>539,822</u>	<u>559,377</u>	<u>559,377</u>	<u>524,505</u>	<u>6,113,721</u>
Selling, General & Administrative:													
Payroll	290,117	260,000	390,000	260,000	260,000	260,000	260,000	260,000	390,000	260,000	260,000	260,000	3,410,117
Employee Benefits & Misc.	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	600,000
Employer Taxes	34,814	31,200	46,800	28,600	26,000	26,000	26,000	26,000	39,000	23,400	23,400	23,400	354,614
Rent - Production Facilities	13,600	13,600	13,600	13,600	13,600	13,600	13,600	13,600	13,600	13,600	13,600	13,600	224,200
Rent - Corporate Office	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	264,000
Freight Out	20,800	20,800	26,000	20,800	20,800	20,800	20,800	20,800	26,000	20,800	26,000	20,800	270,400
Utilities	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	504,000
Insurance	20,000	20,000	315,000	20,000	20,000	25,000	20,000	20,000	25,000	20,000	25,000	20,000	550,000
Legal Fees	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	420,000
Accounting Fees	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	360,000
BOD Compensation	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	360,000
Travel	45,000	45,000	45,000	45,000	45,000	45,000	40,000	40,000	40,000	40,000	40,000	40,000	510,000
Office Supplies	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	204,000
Interest Expense - Revolver	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,200,000
Subtotal	<u>750,331</u>	<u>716,600</u>	<u>1,162,400</u>	<u>714,000</u>	<u>772,400</u>	<u>721,600</u>	<u>706,400</u>	<u>706,400</u>	<u>859,600</u>	<u>703,800</u>	<u>714,000</u>	<u>703,800</u>	<u>9,231,331</u>
Total Disbursements	<u>1,201,949</u>	<u>1,189,456</u>	<u>1,669,926</u>	<u>1,192,888</u>	<u>1,275,039</u>	<u>1,224,389</u>	<u>1,213,563</u>	<u>1,213,563</u>	<u>1,399,422</u>	<u>1,263,177</u>	<u>1,273,377</u>	<u>1,228,305</u>	<u>15,345,052</u>
NET OPERATING CASH FLOW	13,051	23,878	(415,092)	118,279	44,128	106,111	48,637	54,637	(125,422)	36,323	95,373	184,195	184,098
ASSET SALES & RESTRUCTURING CHARGES													
Net proceeds from sale of Phoenix Facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Net proceeds from sale of Dillon Facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CASH FLOW AFTER NON-RECURRING	13,051	23,878	(415,092)	118,279	44,128	106,111	48,637	54,637	(125,422)	36,323	95,373	184,195	184,098
CASH ROLL FORWARD													
Beginning Cash Balance	2,399,859	2,412,910	2,436,788	2,021,696	2,139,975	2,184,103	2,290,213	2,338,850	2,393,488	2,268,066	2,304,389	2,399,761	
Operating cash flow from above	13,051	23,878	(415,092)	118,279	44,128	106,111	48,637	54,637	(125,422)	36,323	95,373	184,195	
Repay revolver	-	-	-	-	-	-	-	-	-	-	-	-	
Asset Sales & Restructuring Charges	-	-	-	-	-	-	-	-	-	-	-	-	
Payments due upon Effective Date:	-	-	-	-	-	-	-	-	-	-	-	-	
Executory Contract cure amounts	-	-	-	-	-	-	-	-	-	-	-	-	
Administrative Claims	-	-	-	-	-	-	-	-	-	-	-	-	
Ceutamend note payment escrowed for Class 6	-	-	-	-	-	-	-	-	-	-	-	-	
Payments to Creditors	-	-	-	-	-	-	-	-	-	-	-	-	
Management Incentive Plan based on cash availability	-	-	-	-	-	-	-	-	-	-	-	-	
Ending Cash Balance	<u>2,412,910</u>	<u>2,436,788</u>	<u>2,021,696</u>	<u>2,139,975</u>	<u>2,184,103</u>	<u>2,290,213</u>	<u>2,338,850</u>	<u>2,393,488</u>	<u>2,268,066</u>	<u>2,304,389</u>	<u>2,399,761</u>	<u>2,583,957</u>	

FOOTNOTES:

[1] Includes escrowed funds of \$1.4944 million from Nutra

NutraCea
Monthly Cash Flow Projection
Payments to Creditors
Amount Owed/(Paid)

|

Class 1 - Priority:

Balance due on Effective Date
Paid in full on Effective Date
Remaining balance due

Class 2 - Priority Tax:

Balance due on Effective Date
Accrued Interest at 12%
Payment
Remaining balance due

Class 3 - Secured Wells Fargo:

Balance due on Effective Date
Accrued Interest
Payment
Remaining balance due

Class 4 - Secured Dell:

Balance due on Effective Date
Payment
Remaining balance due

Class 5 - Convenience:

Balance due on Effective Date
Paid in full on Effective Date

Class 6 - General Unsecureds

Balance due on Effective Date
Accrued Interest from 11/10/09 to 11/30/10 at .38%
Accrued Interest at 8.25%
Paid to mechanic lien holders out of closing
Payment

Class 7 - Penalties

Class 8 - Security Related
Class 9 - Shareholders

Total Payments Made to Creditors

FOOTNOTES:

- [2] Payment made out of escrowed funds of \$1.4944 millior
- [3] Term note was paid down by \$934,000 at closing of Nut

EXHIBIT “E”

Exhibit E

Projected Balance Sheet

As of November 30, 2010

Cash	\$	2,135
Restricted Cash		1,915
Escrow Funds - Unsecured Creditors		1,494
Inventory, net		1,000
Accounts Receivable, net		1,553
Other Current Assets		490
Ceautamead Note Receivable		1,900
Property Plant & Equipment, net		26,031
Intangibles, net		3,753
Investments		14,893
Other Assets		234
Total Assets		<u>\$ 55,398</u>
Accounts Payable		490
Pre Petition Creditor Claims		7,782
Restricted Cash Contra		1,915
Accrued Liabilities Not Paid at Exit		2,776
Wells Fargo Revolver		900
Wells Fargo Term loan		674
Intercompany Payable Nutra SA		5,000
Other Liabilities		2,220
Total Liabilities		<u>21,757</u>
Stockholder's Equity		<u>33,641</u>
Total Liabilities/Equity		<u>\$ 55,398</u>

(All amounts in 000's)

EXHIBIT “F”

Exhibit F Analysis of Asset Monetization

	Distribution of Proceeds	
	Unsecureds	Debtor
Sell Phoenix Facility:		
Gross Proceeds	6,200,000	
Closing Costs	(50,000)	
Commission	(250,000)	
Wells Fargo	(1,900,000)	
M&M Lienholders	(631,000)	631,000
Net Proceeds	<u>3,369,000</u>	
	<u>2,526,750</u>	<u>842,250</u>
	75%	25%
Sell Dillon Facility:		
Gross Proceeds	5,250,000	
Closing Costs	(50,000)	
Commission	(250,000)	
Net Proceeds	<u>4,950,000</u>	
	<u>3,712,500</u>	<u>1,237,500</u>
	75%	25%
Nutra S.A. Debt/Equity Raise:		
Proceeds "upstreamed" to Debtor parent	5,000,000	
Est. Commissions and Costs	(330,000)	
To secured lender (Wells Fargo)	(934,000)	
Net Proceeds	<u>3,736,000</u>	
40% of first \$5 million to unsecureds	1,494,400	2,241,600
50% of proceeds over \$5 million to unsecureds	0	0
	<u>1,494,400</u>	<u>2,241,600</u>