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ATTORNEYS FOR THE DEBTOR
5

6 **UNITED STATES BANKRUPTCY COURT**
7 **DISTRICT OF ARIZONA**

8 In re:
9 NUTRACEA, a California corporation,
10
11 Debtor.

Chapter 11

Case No. 2-09-bk-28817-CGC

**APPLICATION OF DEBTOR FOR
APPROVAL OF EMPLOYMENT
OF LAKESHORE FOOD
ADVISORS, LLC TO APPRAISE
CERTAIN ASSETS ON A FIXED
FEE BASIS PURSUANT TO 11
U.S.C. § 328(a)**

16 Pursuant to 11 U.S.C. § 328(a) and Bankruptcy Rule 2014, Debtor hereby applies
17 for approval of its employment of Lakeshore Food Advisors, LLC (“**Lakeshore**”) to (a)
18 provide a quantitative assessment of the fair market value of the common stock of
19 Indústria Riograndense de Óleos Vegetais Ltda. (“**Irgovel**”), a wholly owned subsidiary
20 of Nutra SA, which is a wholly owned subsidiary of Debtor; and (b) provide a
21 quantitative assessment of the fair market value of the patents and other intellectual
22 property (collectively the “**IP**”) owned by NutraCea. Lakeshore is to be employed on a
23 fixed fee basis, subject only to the Court’s right of review under 11 U.S.C. § 328(a).
24 Debtor requests that it be authorized to pay Lakeshore’s fee without further order of the
25 court. In support of this application, Debtor states as follows:

1 1. The court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 527 and
2 1334. This is a core proceeding under 28 U.S.C. § 157(d)(2)(B) and (O).

3 2. Debtor filed its voluntary petition under Chapter 11 of the Bankruptcy Code
4 on November 10, 2009.

5 3. Debtor is a publicly traded health-science company that develops and
6 distributes stabilized rice bran and proprietary rice bran formulations.

7 4. NutraCea is the sole member of Nutra SA., LLC, a Delaware limited
8 liability company, which in turns owns substantially all of the common stock of Irgovel
9 (Debtor retains a .01% interest). Debtor's interest in Nutra SA is one of the principal
10 assets of its bankruptcy estate.

11 5. Debtor paid approximately \$14,000,000 for the Irgovel stock in 2008;

12 6. Debtor requires the appraisals of the Irgovel stock and the IP in order to (a)
13 assist it in formulating a plan of reorganization; (b) assist it in preparing a liquidation
14 analysis to accompany its disclosure statement; (c) assist it in addressing concerns raised
15 by the Official Committee of Unsecured Creditors (the "**Committee**") in regard to its
16 application to employ Felsberg e Associados ("**Felsberg**") as special Brazilian counsel to
17 represent it in regard to a number of legal issues that have arisen in regard to its
18 acquisition of Irgovel.

19 7. Lakeshore has agreed to perform the appraisals for a fixed fee of \$20,000,
20 with the first \$10,000 to be paid upon court approval of the employment, and the balance
21 to be paid upon delivery of the appraisal reports. A copy of Debtor's engagement
22 agreement with Lakeshore is attached hereto as Exhibit "A".

23 8. A Declaration of disinterestedness by Lakeshore's principal, Mary Burke,
24 has previously been filed in connection with Debtor's application to employ Lakeshore as
25

1 its food industry investment banker to assist it in marketing it Dillon, Montana,
2 production facility (Dkt. No. 327).

3 9. Debtor believes that Lakeshore's fee is reasonable and is comparable to fees
4 charged by other appraisers for similar work.

5 10. Debtor requests that the court approve the payment of Lakeshore's fee
6 under § 328(a) of the Bankruptcy Code and that it be authorized to pay it without further
7 order of the court.

8 11. Pursuant to § 328(a) of the Code, Lakeshore's fee would remain subject to
9 adjustment if the court were to determine that the terms and conditions of its employment
10 were improvident in light of developments that could not have been anticipated at this
11 time.

12 WHEREFORE, Debtor requests that it be authorized to employ Lakeshore
13 pursuant to § 328(a) of the Bankruptcy Code and that it be authorized to pay its fee
14 without further order of the court.

15 Dated this 15th day of April, 2010.

16 FORRESTER & WORTH, PLLC

17
18 /s/ SCF (006342)
19 S. Cary Forrester
20 Attorneys for Debtor

21 Copy emailed and/or mailed on this 15th day
22 of April, 2010 to all those on the Official
23 Notice Service List

24 /s/ Carrie A. Lawrence
25 Carrie A. Lawrence



20 North Wacker Drive
Suite 1701
Chicago, IL 60606
(312) 348-7080
(312) 376-1585

FINANCIAL ADVISORY SERVICES AGREEMENT

THIS AGREEMENT ("Agreement"), dated April 2, 2010, confirms that NUTRACEA, a California corporation, having its principal place of business at 6720 N. Scottsdale Road, Suite 390, Scottsdale, AZ 85253 ("Client") has retained LAKESHORE FOOD ADVISORS, LLC, an Illinois registered limited liability company with its principal offices at 20 North Wacker Drive, Suite 1701, Chicago, IL 60606 ("LFA"), for the purposes described in this Agreement in accordance with the terms and conditions specified herein, and LFA has agreed to such engagement. LFA acknowledges that NutraCea has filed for protection under chapter 11 of the US Bankruptcy Code. Client's Chapter 11 case, entitled In re NutraCea, a California corporation, Case No. 2:09-bk-28817-CGC (the "Bankruptcy Case") is currently pending before the United States Bankruptcy Court, District of Arizona-Phoenix Division (the "Bankruptcy Court"). This Agreement and Client's obligations hereunder are subject to approval by the Bankruptcy Court in the Bankruptcy Case.

1. **Purpose of Engagement.** LFA will render services (the "Services") to Client as outlined below. LFA will:

- Provide a quantitative assessment of the fair market value of the common stock of Indústria Riograndense de Óleos Vegetais Ltda. ("Irgovel"), a wholly owned subsidiary of Nutra SA, which is a wholly owned subsidiary of Client;
- Provide a quantitative assessment of the fair market value of the patents and other intellectual property owned by Client and described on Schedule 1 hereto;
- The work to be performed will be sufficient to produce a credible result, considering the intended use of the valuations, and will be reflected in two final reports (the "Reports"), one for Irgovel and the other for the patents and intellectual property. The scope of work will be described in the Reports, and may be affected by conditions encountered during the performance of the Services. The Reports are limited to the exclusive use by Client and only for the stated purposes and functions of the valuations; and,
- The Services are being rendered and Reports submitted for possible use in connection with the Bankruptcy Case, and expert testimony, pretrial or other conferences, depositions, and related services are included within the definition of Services for purposes of this Agreement, subject to the payment of additional compensation as described below.

2. **Assumptions and Limiting Conditions.**

- No opinion is intended to be expressed and no responsibility is assumed for any matters which are legal in nature or require legal expertise or specialized knowledge beyond that of LFA's valuation expertise.

EXHIBIT "A"

- Title to the assets is assumed to be good and marketable and free and clear of liens unless otherwise stated.
 - The information upon which the valuations are based will be gathered from sources that LFA believes to be reliable and accurate and are of the type usually relied upon by valuation experts. LFA shall not be responsible for the accuracy or completeness of such information. Any authorized user of the Reports is obligated to bring to the attention of LFA any inaccuracies or errors it believes are contained in the Reports.
 - The opinion of value is only as of the date stated in the Reports. Changes after that date may affect LFA's opinions of value.
 - Publication of the Reports or any portion thereof without the prior written consent of LFA, which shall not be unreasonably withheld, is prohibited. Except as may be otherwise stated in this Agreement, the Reports may not be used by any person other than Client or for purposes other than that for which they were prepared. No part of the Reports shall be conveyed to the public through advertising, or used in any sales or promotional or offering or SEC material without LFA's prior written consent, which shall not be unreasonably withheld.
 - If the Reports are submitted to a lender or investor with the prior approval of LFA, such party should consider the Reports only as an additional factor to be considered together with its independent investment and underwriting criteria.
 - Additional work requested by Client beyond the scope of this Agreement will be billed at LFA's prevailing hourly rates. Preparation for court testimony, update valuations, additional research, depositions, travel or other proceedings will be billed at the hourly rate set forth below, plus reimbursement of expenses.
3. **LFA's Compensation.** In consideration of the Services, Client will pay to LFA Twenty Thousand Dollars (\$20,000). Ten Thousand Dollars (\$10,000) is due upon approval of this Agreement by the Bankruptcy Court and Ten Thousand Dollars (\$10,000) is due upon Client's receipt of the Reports. Consultation, deposition, courtroom testimony, and related preparation on Client's behalf for any court proceedings or related inquiries will be based upon a professional fee of \$250 per hour separate and in addition to the preparation of the Reports. The payment obligations set forth above are not contingent upon LFA's valuation conclusions or findings, the outcome of litigation, or the close of an escrow for financing or acquisition.
4. **Announcement.** LFA shall have the right to publish an announcement of its role in rendering services to Client pursuant to this engagement, subject to prior written approval of the form and content of such announcement by Client, which shall not be unreasonably withheld.

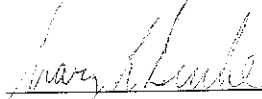
The parties have caused this Agreement to be executed by their duly authorized representatives as of the Date written above.

Engagement terms including attached Exhibit A, Standard Terms and Conditions accepted by:

NUTRACEA

By: _____
Name:
Title:

LAKESHORE FOOD ADVISORS, LLC

By: 
Name: Mary L. Burke
Title: *Principal*

LAKESHORE FOOD ADVISORS, LLC

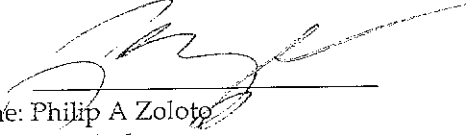
By: 
Name: Philip A. Zoloto
Title: *Principal*

EXHIBIT A
STANDARD TERMS AND CONDITIONS

1. Accuracy of Client Data. Client recognizes and confirms that in performing its duties pursuant to this Agreement, LFA will be using and relying on data, material and other information (the "Information") furnished by Client and its employees and representatives and on information available from generally recognized public sources without any independent investigation or verification thereof. Accordingly, LFA assumes no responsibility for the accuracy and completeness of the Information. Client agrees that any Services will be based entirely upon Information supplied by Client or available from public sources. Client will exercise reasonable care to ensure that Information is complete and accurate in all material respects, and not materially misleading, and Client will be solely responsible for the accuracy and completeness of any such Information used, summarized or presented in any Services. Without limiting the foregoing, LFA will be neither responsible for nor liable to any party for any representations, assertions or statements based on the Information or reasonably derived therefrom if such representations, assertions or statements prove to be false, inaccurate, deceptive, misleading or incomplete.

2. Confidentiality. Unless required by law or applicable legal process, any advice rendered by LFA pursuant to this Agreement may not be disclosed publicly by LFA or Client without the other party's prior written consent or used for any purposes not related to Client's participation in the Services.

3. Confidential and Proprietary Information. "Confidential and Proprietary Information" means all documents, software, reports, data, records, forms and other material (a) obtained by LFA from Client in the course of performing the Services: (i) that have been marked as confidential; (ii) whose confidential nature has been made known by Client to LFA; or (iii) that due to their character and nature, a reasonable person under like circumstances would treat as confidential or (b) developed or prepared by LFA based upon information described in (a). Confidential and Proprietary Information does not include information which: (i) is already known to LFA at the time of disclosure by Client; (ii) is or becomes publicly known through no wrongful act of LFA; (iii) is independently developed by LFA without benefit of Client's Confidential and Proprietary Information; or (iv) is received by LFA from a third party without restriction and without a breach of an obligation of confidentiality. All Confidential and Proprietary Information of Client remains the

property of Client and will be maintained in confidence by LFA, will not be used by LFA for any purpose other than to provide the Services under this Agreement, and will not be disclosed to any third party, except as provided herein, without Client's prior written consent, unless required by applicable law or legal process. At the conclusion of the Services, LFA will, upon Client's request, return to Client all Confidential and Proprietary Information of Client in its possession or, upon Client's request, LFA will destroy all Confidential and Proprietary Information of Client in its possession, subject to LFA's need to preserve its interests hereunder. Upon written request by Client, LFA will certify the destruction of all Confidential and Proprietary Information of Client, clearly identifying any such information retained by LFA as necessary to preserve its interests hereunder.

4. Limitations on Use. Client expressly acknowledges that, except as otherwise set forth herein to the contrary, all information and advice provided by LFA to Client in connection with LFA's engagement are intended solely for the benefit and use of Client (including its management, directors, shareholders and attorneys) in considering the Services to which they relate, and Client agrees that, except as required by law, no such information or advice will be used for any other purpose or reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, nor will any public reference to LFA be made by Client (or such persons) without the prior written consent of LFA, which will not be unreasonably withheld. Client specifically agrees, without limiting the generality of the foregoing, that it will not use any information or advice provided by LFA to Client in any tax matter, proceeding or audit nor in any matter having to do with the listing or public sale of securities unless LFA has agreed to such use beforehand, in writing.

5. Indemnification.

(a) In the event of a claim by a third party relating to services under the Agreement to which these Standard Terms and Conditions are attached, Client and LFA will mutually indemnify one another and their personnel from all such claims, liabilities, costs and expenses, except to the extent determined to have resulted from the intentional or deliberate misconduct by the other party or its gross negligence.

(b) The parties will have no liability to one another for any actions, damages, claims, liabilities, costs, expenses or losses in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the fees paid by Client to LFA under this Agreement, except for those arising out of or relating to either party's willful misconduct. In no event shall either party be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs). The provisions of this Paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

6. Independent Contractor. Nothing in this Agreement will be deemed to constitute LFA or Client the agent of the other. Neither LFA nor Client shall be or become liable or bound by any representation, act or omission whatsoever of the other.

7. Not a Registered Broker-Dealer. LFA is not a registered broker-dealer and will not be providing services to Client as a broker-dealer.

8. Nonassignability. This Agreement and all rights, liabilities and obligations hereunder will be binding upon and inure to the benefit of each party's successors, but neither party will assign, transfer or subcontract this Agreement or any of its obligations hereunder without the other party's express, prior written consent.

9. Severability. In the event that any term or provision of this Agreement is held to be invalid, void or unenforceable, then the remainder of this Agreement will not be affected, impaired or invalidated, and each such term and provision of this Agreement will be valid and enforceable to the fullest extent permitted by law.

10. Governing Law. Regardless of the place of execution or performance, this Agreement and any

related indemnification and confidentiality agreements between the parties will be deemed made in Arizona. All actions arising hereunder or in connection herewith will fall under the exclusive jurisdiction and venue of the Bankruptcy Court or, if the Bankruptcy Court no longer has subject matter jurisdiction, then in the Superior Court of the State of Arizona, Maricopa County, , and each of the parties hereto hereby agrees to the personal jurisdiction and venue of said court. The parties hereto agree to service of process by certified mail or receipted courier. Any right to trial by jury with respect to any claim or proceeding related to or arising out of this engagement, or any transaction or conduct in connection herewith, is waived.

11. Integration. This Agreement constitutes the entire agreement of the parties with respect to its subject matter and supersedes all prior and contemporaneous representations, proposals, discussions, and communications, whether oral or in writing. This Agreement may be modified only in writing and will be enforceable in accordance with its terms when signed by each of the parties hereto.

12. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed an original, but all of which constitute one and the same instrument. Executed counterparts may be exchanged by hand-delivery, mail, fax or email.

13. Third Party Beneficiaries. This Agreement is made solely for the benefit of Client, LFA, other Indemnified Parties and their respective successors and assigns, and no other person will acquire or have any right under or by virtue of this Agreement.

15. Notices. All notices, requests and demands hereunder will be in writing and will be deemed to have been duly given (a) upon personal delivery, (b) five (5) days after being mailed by registered or certified mail, return receipt requested or (c) one (1) business day after being sent by nationally recognized overnight courier.

Other:[2:09-bk-28817-CGC Nutracea, a California corporation](#)

Type: bk

Chapter: 11 v

Office: 2 (Phoenix)

Assets: y

Judge: CGC

U.S. Bankruptcy Court**District of Arizona**

Notice of Electronic Filing

The following transaction was received from S. CARY FORRESTER entered on 4/15/2010 at 11:06 AM AZ and filed on 4/15/2010

Case Name: Nutracea, a California corporation**Case Number:** [2:09-bk-28817-CGC](#)**Document Number:** [374](#)**Docket Text:**

Notice of Filing, Exhibit A filed by S. CARY FORRESTER of FORRESTER & WORTH, PLLC on behalf of Nutracea, a California corporation. (related document(s)[373] Application to Employ) (FORRESTER, S.)

The following document(s) are associated with this transaction:

Document description:Main Document**Original filename:**N:\Word Docs\Cary\Active\NutraCea\Pleadings\Professionals\Apps to Employ Professionals\Lakeshore--Valuation\For Filing\Exhibit A.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=875559564 [Date=4/15/2010] [FileNumber=17403750-0] [4537cf63cd13a2e5c29428fc8ab636aca10781808a72c6475bcbaae25f26f5143f8b3eec2063661594ee41aea2fd97957e6d71af5b2f618a46a702d5627f1e53]]

2:09-bk-28817-CGC Notice will be electronically mailed to:

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kblakley@gbllaw.com

J. JAMES CHRISTIAN on behalf of Defendant Harvey Pensack
jjc@tblaw.com, jeg@tblaw.com;sab@tblaw.com

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john.clemency@gknet.com, donna.elliott@gknet.com;maricella.nunez@gknet.com

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Thomas.Luikens@azbar.org, tglegalassistant@earthlink.net

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LAURENCE M ROSEN on behalf of Plaintiff Harvey Pensack
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CHAD L. SCHEXNAYDER on behalf of Creditor AVAZ, Inc. d/b/a Audio Video Resources
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GERALD L. SHELLEY on behalf of Interested Party Bradley Edson
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TODD B. TUGGLE on behalf of Creditor W.D. Manor Mechanical Contractors
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STEPHEN L WILLIAMSON on behalf of Creditor Farmers Rice Milling Company, Inc.
swilliamson@monbar.com, ymaranto@monbar.com