

NUTRACEA
Form DEF 14A
May 21, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

SCHEDULE 14A Information
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No. ____)

Filed by the Registrant:
Filed by a Party other than the Registrant:

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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NUTRACEA

(Name of Registrant as Specified in Its Charter)

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- No fee required.
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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

NUTRACEA
5090 North 40th Street, Fourth Floor
Phoenix, Arizona 85018

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 19, 2007

TO THE SHAREHOLDERS:

The 2007 Annual Meeting of Shareholders of NutraCea, a California corporation, will be held at the Ritz Carlton, 2401 East Camelback Road, Phoenix, Arizona 85016, on Tuesday, June 19, 2007, from 9:00 A.M. to 11:00 A.M., local time, for the purpose of considering and voting upon:

1.

the election of seven directors to serve on the Board of Directors until the 2008 Annual Meeting of Shareholders or until their successors have been duly elected and qualified;

2.

the approval of an amendment to the 2005 Equity Incentive Plan to provide for automatic annual option grants to our non-employee directors;

3.

the approval of an amendment to our articles of incorporation to increase the authorized number of shares of common stock from 200,000,000 to 350,000,000;

4.

the approval of an amendment to our bylaws to eliminate cumulative voting for directors if we become a listed corporation; and

5.

the transaction of any other business that is properly presented before the annual meeting or any adjournment or postponement thereof.

All holders of shares of common stock, as of the close of business on April 23, 2007, are entitled to receive notice of, and to vote at, the annual meeting or any adjournment or postponement thereof.

All shareholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to submit your proxy as promptly as possible according to the enclosed instructions, whether or not you plan to attend the meeting. Any shareholder attending the meeting may vote in person even if he or she submitted a proxy.

By Order of the Board of Directors,

/s/ Todd C. Crow

Todd C. Crow
Chief Financial Officer

Phoenix, Arizona
May 21, 2007

IMPORTANT

Whether or not you expect to attend the 2007 Annual Meeting of Shareholders in person, please complete, date, sign, and return the enclosed proxy card in the enclosed envelope, which requires no postage if mailed in the United States. Your proxy will be revocable any time prior to its exercise either in writing or by voting your shares personally at the 2007 Annual Meeting of Shareholders.

NUTRACEA
5090 North 40th Street, Fourth Floor
Phoenix, Arizona 85018

PROXY STATEMENT
FOR
2007 ANNUAL MEETING OF SHAREHOLDERS

This Proxy Statement is being furnished to holders of common stock, no par value per share (the **Common Stock**), of NutraCea, a California corporation (**NutraCea** or the **Company**), in connection with the solicitation of proxies by the Board of Directors (**Board**) for use at NutraCea's Annual Meeting of Shareholders (the **Annual Meeting**) to be held on June 19, 2007 at 9:00 a.m., local time, or at any adjournment(s) or postponement(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at the Ritz Carlton, 2401 East Camelback Road, Phoenix, Arizona 85016, on Tuesday, June 19, 2007. The telephone number at that address is (602) 468-0700.

These proxy solicitation materials and NutraCea's Annual Report to Shareholders for the year ended December 31, 2006, including financial statements, were mailed on or about May 21, 2007 to all shareholders entitled to vote at the Annual Meeting.

INFORMATION CONCERNING SOLICITATION AND VOTING

Purposes of the Annual Meeting

The purposes of the Annual Meeting are: (i) to elect seven (7) directors to serve for the ensuing year and until their successors are duly elected and qualified; (ii) to approve an amendment to the 2005 Equity Incentive Plan to provide for automatic annual option grants to our non-employee directors; (iii) to approve an amendment to our articles of incorporation to increase the authorized number of shares of common stock from 200,000,000 to 350,000,000; (iv) to approve an amendment to our bylaws to eliminate cumulative voting for directors if we become a listed corporation; and (v) to transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders Entitled to Vote; Record Date

Only holders of record of Common Stock at the close of business on April 23, 2007 (the **Record Date**) are entitled to notice of and to vote at the Annual Meeting. As of the Record Date, there were 135,625,849 shares of Common Stock outstanding.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to NutraCea (Attn: Corporate Secretary) a written notice of revocation or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. Attending the Annual Meeting in and of itself will not constitute a revocation of a proxy.

Voting Procedures

General. Your shares will be voted in accordance with the instructions you indicate when you submit your proxy. If you submit a proxy but do not indicate your voting instructions, your shares will be voted as follows:

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FOR the election of the director nominees listed in this proxy statement;

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FOR the approval of the amendment of the 2005 Equity Incentive Plan;

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FOR the approval of the amendment to our articles of incorporation;

-

FOR the approval of the amendment to our bylaws; and

-

At the discretion of the proxy holders, upon such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Voting by Mail. By signing and returning the enclosed proxy card according to the instructions provided, you are enabling the individuals named on the proxy card, known as proxies, to vote your shares at the meeting in the manner you indicate. We encourage you to sign and return the proxy card even if you plan to attend the meeting. In this way your shares will be voted even if you are unable to attend the meeting.

Voting in Person at the Meeting. If you plan to attend the Annual Meeting and vote in person, NutraCea will provide you with a ballot at the meeting. If your shares are registered directly in your name, you are considered the shareholder of record, and you have the right to vote in person at the meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in your name. In that case, and if you wish to vote at the meeting, you will need to bring with you to the meeting a legal proxy from your broker or other nominee authorizing you to vote these shares.

Voting and Solicitation

Each share of Common Stock outstanding on the Record Date entitles its owner to one vote on all matters. With respect to the election of directors, every shareholder voting at the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder thinks fit, provided that votes cannot be cast for more than seven candidates. However, no shareholder shall be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to the voting and the shareholder, or any other shareholder, has given notice at the Annual Meeting prior to the voting of the intention to cumulate the shareholder's votes. On all other matters, each share of Common Stock has one vote.

Expenses of solicitation of proxies will be borne by NutraCea. NutraCea may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may also be solicited by certain of NutraCea's directors, officers and regular employees, without additional compensation, personally or by telephone, telegram or letter. NutraCea may engage the services of a professional proxy solicitation firm to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners. NutraCea's costs for such services, if retained, will not be material.

Quorum; Abstentions; Broker Non-votes

A majority of the shares of Common Stock outstanding on the Record Date and entitled to vote must be present, in person or represented by proxy, to constitute the required quorum for the transaction of business at the Annual Meeting. Shares that are voted FOR, AGAINST, or ABSTAIN are treated as being present at the meeting for purposes of establishing a quorum. Shares that are voted FOR or AGAINST a matter will also be treated as shares entitled to vote (the Votes Cast) with respect to such matter.

A plurality of Votes Cast is required for the election of directors and only affirmative votes (either FOR or AGAINST) will affect the outcome of the election of directors. Assuming a quorum is present, the affirmative vote of a majority of the shares of our common stock represented at the Annual Meeting is required to approve the

amendment to our 2005 Equity Incentive Plan. The affirmative vote of a majority in voting power of all of our outstanding shares of common stock is required to approve the amendment to our articles of incorporation and the amendment to our bylaws.

While there is no definitive statutory or case law authority in California as to the proper treatment of abstentions or broker non-votes, NutraCea believes that both abstentions and broker non-votes should be counted for purposes of determining the presence or absence of a quorum for the transaction of business. NutraCea further believes that neither abstentions nor broker non-votes should be counted as shares represented and voting with respect to a particular matter for purposes of determining the total number of Votes Cast with respect to such matter. In the absence of controlling precedent to the contrary, NutraCea intends to treat abstentions and broker non-votes in this manner. Accordingly, abstentions and broker non-votes will not affect the determination as to whether the requisite majority of Votes Cast has been obtained with respect to a particular matter.

A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Nominees will not have discretionary voting power with respect to the proposals to approve the amendment to the 2005 Equity Incentive Plan, the amendment to the articles of incorporation or the amendment to the bylaws, and will consequently be unable to vote shares held by beneficial owners who do not give voting instructions to nominees with respect to this proposals.

Deadlines for Submission of Shareholder Proposals for 2008 Annual Meeting

Requirements for Shareholder Proposals to be Considered for Inclusion in Proxy Materials. Shareholders of NutraCea are entitled to present proposals for consideration at forthcoming shareholder meetings provided that they comply with the proxy rules promulgated by the Securities and Exchange Commission or the Bylaws of NutraCea. Shareholders who wish to have a proposal considered for inclusion in NutraCea's proxy materials for NutraCea's 2008 Annual Shareholder Meeting must submit such proposal to NutraCea by January 22, 2008. The submission of a proposal does not guarantee that it will be included in NutraCea's proxy statement or proxy.

Requirements for Shareholder Proposals not to be Included in Proxy Materials. Shareholders who wish to present a proposal at an annual meeting of shareholders that is not intended to be included in the proxy materials relating to such meeting must deliver notice of such proposal to the Secretary of NutraCea at NutraCea's principal executive offices by April 6, 2008.

Shareholder Information

If you share an address with another shareholder, you may receive only one set of proxy materials (including the annual report and proxy statement) unless you have previously provided contrary instructions. If you wish to receive a separate set of proxy materials, please request the additional copies by writing or contacting NutraCea's Chief Financial Officer at 5090 North 40th Street, Fourth Floor, Phoenix, Arizona 85018, telephone (602) 522-3000. Similarly, if you share an address with another shareholder and have received multiple copies of the proxy materials, you may contact NutraCea at the address or telephone number above to request that only a single copy of these materials be delivered to your address in the future.

PROPOSAL ONE**ELECTION OF DIRECTORS****Description of Current Board of Directors**

A board of seven (7) directors is to be elected at the meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the seven nominees named below, all of whom other than Wesley K. Clark are presently directors of NutraCea. Mr. Clark has been appointed to the board, effective as of June 1, 2007. Our Board of Directors did not nominate Patricia McPeak, one of our current directors, for reelection to the Board of Directors. Concurrently with the Annual Meeting, our by-laws will be amended to reduce the size of our Board of Directors from eight (8) members to seven (7) members. In the event that any such nominee is unable or declines to serve as a director at the time of the Annual Meeting of Shareholders, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner in accordance with cumulative voting as will assure the election of as many of the nominees listed below as possible, and, in such event, the specific nominees to be voted for will be determined by the proxy holders. The seven nominees for director receiving the highest number of affirmative votes of the shares entitled to be voted for them shall be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum, but have no other legal effect under California law. It is not expected that any nominee will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the next Annual Meeting of Shareholders or until a successor has been elected and qualified.

The names of the nominees, and certain information about them as of the Record Date, are set forth below.

Name	Age	Position
Bradley D. Edson	47	Chief Executive Officer, President and Director
David S. Bensch(1)(2)(3)	51	Director and Chairman of the Board
Wesley K. Clark	62	Director
James C. Lintzenich(1)(2)	53	Director
Edward L. McMillan(1)(3)	61	Director
Steven W. Saunders	51	Director
Kenneth L. Shropshire(2)(3)	52	Director

(1)

Member of the Audit Committee.

(2)

Member of the Compensation Committee.

(3)

Member of the Nominating/Governance Committee.

Bradley D. Edson, has served as our Chief Executive Officer since October 2005 and as our President and as one of our directors since December 2004. Since October 2005, Mr. Edson also serves as Chief Executive Officer of our subsidiary, The RiceX Company, and one of its directors. Mr. Edson was formerly the Chairman and CEO of Vital Living Inc. (OTC BB: VTLV), a company that primarily developed and marketed nutraceuticals. Prior to Vital Living, Mr. Edson spent a decade developing a nationwide insurance agency focused on distribution channels for specialty products for the retail market. Prior to that, Mr. Edson was a former principal and officer of a NASD broker/dealer firm. Mr. Edson holds a Bachelor of Science Degree in Finance from Arizona State University.

David S. Bensch, has served as one of our directors since March 2005. Mr. Bensch currently is President of Bensch Realty Corp and a management consultant. Mr. Bensch was the former CEO of Critical Home Care, which recently merged with Arcadia Resources, Inc. (AMEX: KAD) Mr. Bensch was the Executive Vice President and Director of Arcadia Resources from May 2004 until his resignation from those positions in December 2004. In 2000, Mr. Bensch founded what eventually became Critical Home Care, through a series of acquisitions and mergers. From 1979 to 1999 Mr. Bensch founded several public and private companies which became industry leaders in the areas of home medical equipment providers, acute care pharmacy providers and specialty support surface providers. Mr. Bensch received a BS Pharm. from St. Johns University, New York, and became a registered pharmacist in 1978.

Wesley K. Clark, was appointed to serve as one of our directors, effective as of June 1, 2007. Since March 2003 he has been the Chairman and Chief Executive Officer of Wesley K. Clark & Associates, a business services and

development firm based in Little Rock, Arkansas. Mr. Clark also serves as senior advisor to GS Capital Partners V Fund, L.P. From March 2001 to February 2003 he was a Managing Director of the Stephens Group Inc., an emerging company development firm. From July 2000 to March 2001 he was a consultant for Stephens Group Inc. Prior to that time, Mr. Clark served as the Supreme Allied Commander of NATO and Commander-in-Chief for the United States European Command and as the Director of the Pentagon's Strategic Plans and Policy operation. Mr. Clark retired from the United States Army as a four-star general in July 2000 after 38 years in the military and received many decorations and honors during his military career. Mr. Clark is a graduate of the United States Military Academy and studied as a Rhodes Scholar at the Magdalen College at the University of Oxford. Mr. Clark is a director of Argyle Security Acquisition Corp. and Summit Global Logistics, Inc.

James C. Lintzenich, has served as one of our directors since October 2005. Mr. Lintzenich has been a director of The RiceX Company since June 2003. Mr. Lintzenich has been a management consultant since April 2001. From August 2000 to April 2001 Mr. Lintzenich served as President and Chief Operating Officer of SLM Corporation (Sallie Mae), an educational loan institution. From December 1982 to July 2000, Mr. Lintzenich held various senior management and financial positions including Chief Executive Officer and Chief Financial Officer of USA Group, Inc., a guarantor and servicer of educational loans. Mr. Lintzenich currently serves on the Board of Directors of the Lumina Foundation for Education.

Edward L. McMillan, has served as one of our directors since October 2005. Mr. McMillan has been a director of The RiceX Company since July 2004. From January 2000 to present Mr. McMillan owns and manages McMillan LLC., a transaction consulting firm which provides strategic consulting services and facilitates mergers and/or acquisitions predominantly to food and agribusiness industry sectors. From July 2004 to October 2005, Mr. McMillan was a director of The RiceX Company. From June 1969 to December 1987 he was with Ralston Purina, Inc. and Purina Mills, Inc. where he held various senior level management positions including marketing, strategic planning, business development, product research, and business segment management. From January 1988 to March 1996, McMillan was President and CEO of Purina Mills, Inc. From August 1996 to July 1997, McMillan presented a graduate seminar at Purdue University. From August 1997 to April 1999 he was with Agri Business Group, Inc. Mr. McMillan currently serves on the boards of directors of Balchem, Inc. (AMEX:BCP); Durvet, Inc.; Newco Enterprises, Inc.; CHB LLC.; and Hintzsche, Inc. Mr. McMillan also serves as Chair of the University of Illinois Research Park, LLC and the University of Illinois Alumni Association.

Steven W. Saunders, has served as one of our directors since October 2005. He was a director of The RiceX Company from August 1998 to October 2005. Mr. Saunders has been President of Saunders Construction, Inc., a commercial construction firm, since February 7, 1991, and President of Warwick Corporation, a business-consulting firm.

Kenneth L. Shropshire, has served as one of our directors since April 2006. Mr. Shropshire has been a professor at the Wharton School of the University of Pennsylvania since 1986; serving as a David W. Hauck professor since 2001, the chair of the Department of Legal Studies from 2000 to 2005, and the faculty director of the Sports Business Initiative since 2004. Mr. Shropshire is currently the president of the Sports Lawyers Association. Mr. Shropshire was of counsel at the law firm of Van Lierop, Burns & Bassett, LLP, from 1998 to 2004 and has been a practicing attorney in Los Angeles, California, focusing on sports and entertainment law. Mr. Shropshire has also taught coursework at the University of Pennsylvania School of Law, the University of San Diego School of Law and Southwestern University School of Law.

Board Meetings and Committees

During 2006, our board of directors held 14 meetings and each director attended at least 75% of those meetings.

Our board of directors has three standing committees: the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. Our board of directors and its committees set schedules to meet throughout the year and also can hold special meetings and act by written consent from time to time, as appropriate.

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Our board of directors has delegated various responsibilities and authority to its committees as generally described below. The committees will regularly report on their activities and actions to the full board of directors. Each committee of our board of directors has a written charter approved by our board of directors.

Audit Committee

The Audit Committee assists the full Board of Directors in its general oversight of our financial reporting, internal controls, and audit functions, and is directly responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. The members of the Audit Committee are James C. Lintzenich, David S. Bensol and Edward L. McMillan, each an independent director as defined by the listing standards of the Nasdaq Global Market relating to audit committee members. The Audit Committee met five times in 2006 and each member of the Audit Committee attended all of those meetings. Our board of directors adopted a written charter for the Audit Committee on April 18, 2007, a copy of which is attached as Annex A to this proxy statement. The Board of Directors has determined that Mr. Lintzenich is an Audit Committee Financial Expert, as defined in Item 401(h) of Regulation S-K.

Compensation Committee

The Compensation Committee establishes our executive compensation policy, determines the salary and bonuses of our executive officers and recommends to the Board of Directors stock option grants for our executive officers. The members of the Compensation Committee are David S. Bensol, James C. Lintzenich and Kenneth L. Shropshire, each an independent director as defined by the listing standards of the Nasdaq Global Market. In 2006, the Compensation Committee met once and all members of the Compensation Committee attended this meetings. Our board of directors adopted a written charter for the Compensation Committee on April 18, 2007, a copy of which is attached as Annex B to this proxy statement.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is responsible for matters relating to the corporate governance of our company and the nomination of members of the board of directors and committees thereof. The members of the Governance and Nominating Committee are David S. Bensol, Edward L. McMillan and Kenneth L. Shropshire, each an independent director as defined by the listing standards of the Nasdaq Global Market. The Corporate Governance and Nominating Committee did not meet in 2006. Our board of directors adopted a written charter for the Corporate Governance and Nominating Committee on April 18, 2007, a copy of which is attached as Annex C to this proxy statement.

Nomination Process

In evaluating potential candidates for membership on the Board, the Corporate Governance and Nominating Committee may consider such factors as it deems appropriate. These factors may include judgment, skill, diversity, integrity, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of other Board members and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. While the Corporate Governance and Nominating Committee has not established any specific minimum qualifications for director nominees, the Corporate Governance and Nominating Committee believe that demonstrated leadership, as well as significant years of service, in an area of endeavor such as business, law, public service, related industry or academia, is a desirable qualification for service as a director of NutraCea. Upon the identification of a qualified candidate, the Corporate Governance and Nominating Committee would select, or recommend for consideration by the full Board, the nominee for the election of directors.

The Corporate Governance and Nominating Committee will consider nominees recommended by shareholders. Any shareholder may make recommendations to the Corporate Governance and Nominating Committee for membership on the Board by sending a written statement of the qualifications of the recommended individual to: Secretary, NutraCea, 5090 North 40th Street, Fourth Floor, Phoenix, Arizona 85018. Such recommendations should be received no later than sixty (60) days prior to the annual meeting for which the shareholder wishes his or her recommendation to be considered. The Board will evaluate candidates recommended by shareholders on the same basis as it evaluates other

candidates, including the following criteria:

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Directors should be of the highest ethical character and share values that reflect positively on themselves and NutraCea.

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Directors should have reputations, both personal and professional, consistent with the image and reputation of NutraCea.

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Directors should be highly accomplished in their respective fields, with superior credentials and recognition.

The fact that a proposed director nominee meets some or all of the above criteria will not obligate the Corporate Governance and Nominating Committee to nominate or recommend the candidate for director in the proxy materials.

Shareholder Communication Policy

Shareholders may send communications to the Board or individual members of the Board by writing to them, care of Secretary, NutraCea, 5090 North 40th Street, Fourth Floor, Phoenix, Arizona 85018, who will forward the communication to the intended director or directors. If the shareholder wishes the communication to be confidential, then the communication should be provided in a form that will maintain confidentiality.

Attendance of Directors at Annual Meetings of Shareholders

NutraCea has a policy of encouraging, but not requiring, directors to attend NutraCea's annual meeting of shareholders.

Director Compensation

Non-employee directors receive an annual cash retainer of \$12,000 and a fee of \$1,000 for each board meeting attended in person and \$500 for each telephonic board meeting attended. In addition, they receive annual retainers of \$2,000 per year to serve on the audit and compensation committees. The Chairman of the Board receives an additional \$4,000 per year. The Committee chairmen receive an additional \$1,000 per year. Each non-employee director receives an option to purchase 35,000 shares of common stock each year on the date of our Annual Shareholder Meeting. Directors are reimbursed for reasonable expenses incurred in attending meetings of the Board and Board committees.

Directors are eligible to participate in NutraCea's 2005 Equity Incentive Plan.

Director Compensation Table

The following Director Compensation Table sets forth summary information concerning the compensation paid to our non-executive officer directors in 2006 for services to our company.

	Fees Earned or Paid in Cash (\$)	Option Awards \$(1)(2)	All Other Compensation (\$)	Total (\$)
David S. Bensol	21,750	29,223		50,973
Robert R. Drell	13,000	29,223		42,223
Thomas C. Lintzenich	16,750	29,223		45,973
Edward L. McMillan	17,000	29,223		46,223
Patricia McPeak	0	(3)	155,188 (4)	155,185
Stephen W. Saunders	14,000	29,223	77,953 (5)	121,176
Matthew L. Shropshire	16,750	29,223		45,973
	99,250	175,338	233,141	429,729

(1)

Amounts shown do not reflect compensation actually received by the directors. Instead, the amounts shown are the compensation costs recognized by NutraCea in 2006 for option awards as determined pursuant to Statement of Financial Accounting Standards No. 123(R), or FAS 123R. These compensation costs reflect option awards granted in 2006. The assumptions used to calculate the value of option awards are set forth in Note 13 of the Notes to Consolidated Financial Statements contained NutraCea's Annual Report on Form 10-K for 2006.

(2)

The compensation cost recognized by NutraCea in fiscal 2006 for each stock option grant is based on the following fair value as of the grant date: \$39,357 for a stock option grant to each non-employee director to purchase 35,000 shares of common stock made on May 23, 2006 at an exercise price of \$1.14 per share. At the end of 2006, Mr. Bensol, Mr. Drell, Mr. Lintzenich, Mr. McMillan, Ms. McPeak, Mr. Saunders and Mr. Shropshire held options to purchase an aggregate of 35,000 shares, 35,000 shares, 35,000 shares, 35,000 shares, 0 shares, 35,000 shares and 35,000 shares, respectively, as compensation for serving as NutraCea's directors. Also, at the end of 2006, Mr. Bensol, Mr. Drell, Mr. Lintzenich, Mr. McMillan, Ms. McPeak,

Mr. Saunders and Mr. Shropshire held an aggregate 0 shares, 35,000 shares, 0 shares, 0 shares, 35,000 shares, 0 shares and 0 shares, respectively, of common stock received as compensation for serving as directors.

(3)

Ms. McPeak did not receive a stock option grant because she is an employee of NutraCea.

(4)

Reflects compensation received by Ms. McPeak for serving as an employee of NutraCea. Compensation consists of the following: \$154,807 as salary and \$381 for payment of life insurance premiums.

(5)

Reflects the grant of a warrant to Mr. Saunders for providing engineering and construction consultation to NutraCea. The compensation cost recognized by NutraCea in fiscal 2006 for the warrant is based on the following fair value as of the grant date: \$78,740 for a stock option grant to purchase 100,000 shares of common stock made on February 27, 2006 at an exercise price of \$1.00 per share.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees of NutraCea. NutraCea will provide any person, without charge, a copy of this Code. Requests for a copy of the Code may be made by writing to NutraCea at 5090 North 40th Street, Fourth Floor, Phoenix, Arizona 85018, Attention: Chief Financial Officer.

Recommendation of the Board

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE NOMINATED DIRECTORS.

PROPOSAL TWO

APPROVAL OF AN AMENDMENT TO NUTRACEA'S 2005 EQUITY INCENTIVE PLAN

Shareholders are being asked to approve an amendment to the 2005 Equity Incentive Plan (2005 Plan). On May 26, 2005, the Board adopted the 2005 Plan, and on September 28, 2005, NutraCea's shareholders approved the 2005 Plan at a Special Meeting of Shareholders. As of the Record Date, no awards have been granted under the 2005 Plan. On April 18, 2007, the Board approved an amendment to the 2005 Plan to provide for automatic annual stock option grants to non-employee members of the board of directors. Each option is exercisable for 35,000 shares of common stock.

We believe strongly that the approval of the amendment to the 2005 Plan (Plan Amendment) is essential to our continued success. Stock options such as those provided under the 2005 Plan are vital to our ability to attract and retain outstanding and highly skilled individuals to serve on our board of directors. In addition, due to recent statutory and regulatory changes, directors are required to accept greater responsibility, devote more time to their service as directors, and in many instances require a specific expertise to serve. The automatic grant of options to purchase common stock to non-employee directors under the 2005 Plan reflects the competitive market we must face to attract and retain highly competent individuals to our board of directors on whose judgment, initiative, leadership and continued efforts the growth and profitability of NutraCea depend.

The Plan Amendment provides for option grants to non-employee directors that are substantially similar to the 35,000 share option grants currently being made to non-employee directors separate from the 2005 Plan.

Summary of the 2005 Plan, as Amended

The following is a summary of the principal provisions of the 2005 Plan. This summary is qualified in its entirety by reference to the full text of the 2005 Plan, which is attached as Annex D to this proxy statement.

Administration. The 2005 Plan is administered by the Board, and the Board has delegated administration to the Compensation Committee (the Administrator). The Administrator acts as the manager of the 2005 Plan, and as such has the power, subject to the terms and restrictions set forth in the 2005 Plan, to select the persons (Participants) to receive options (Options) or other awards under the 2005 Plan (collectively, Awards), to fix the number of shares that each Participant may acquire, to set the terms and conditions of each Award (including any vesting or exercisability provisions or limitations regarding any Award and/or the shares of common stock relating thereto, and the waiver, amendment, extension or acceleration of any such provisions or limitations), and to determine all other matters relating to the 2005 Plan, subject to applicable law. Determinations made by the Administrator are final and binding on all parties. The Administrator may delegate certain authorities and duties to officers or employees of NutraCea.

Eligibility. Every person who at the date on which an Award was granted to the person (the Grant Date) is an employee of NutraCea or any Affiliate is eligible to receive Awards, including options that are intended to be incentive stock options (ISOs) within the meaning of the Internal Revenue Code of 1986, as amended (Code). The term Affiliate means a parent corporation or a subsidiary corporation as defined in the applicable provisions of the Code. Every person who at the Grant Date is a consultant to NutraCea or any Affiliate, or any person who is a director of NutraCea but not an employee, is eligible to receive Awards, including non-qualified options (NQOs), but is not eligible to receive ISOs. Employees may also receive NQOs.

Securities Subject to the 2005 Plan. The total number of shares of common stock that are reserved and available for issuance pursuant to the exercise of Awards under the 2005 Plan is 10,000,000 shares. In addition, no more than 10,000,000 shares may be issued as ISOs. No Awards have been granted under the 2005 Plan. The shares covered by the portion of any grant that expires unexercised under the 2005 Plan will become available again for issuance under the 2005 Plan. The number of shares reserved for issuance under the 2005 Plan and the number of shares that may be

issued as ISOs are subject to adjustment in accordance with the provisions for adjustment in the 2005 Plan.

Granting of Options. No Options may be granted under the 2005 Plan after 10 years from the date the Board initially adopted the 2005 Plan. An Option generally expires 10 years from its Grant Date, unless an earlier expiration date is specified by the Administrator at the Grant Date, except that an ISO granted to any ten percent shareholder expires five years from the Grant Date. The exercise price of an ISO or an NQO will be determined by the Administrator, and for ISOs must be at least equal to the fair market value of the stock covered by the ISO at the Grant Date (110% of the fair market value for ISOs granted to a ten percent shareholder).

Each Award will be evidenced by a written agreement (in the case of Options, referred to as the Option Agreement, and in the case of other Awards as well as Options, referred to as the Award Agreement), in a form satisfactory to NutraCea, executed by NutraCea and the Participant to whom the Award is granted. Provisions of Award Agreements need not be the same for each Participant. Awards may, in the sole discretion of the Administrator, be exercisable entirely at the Grant Date or at such times and in such amounts as the Administrator may specify.

Automatic Option Grant Program for Outside Directors. The 2005 Plan, as amended, provides for automatic option grants for non-employee directors of NutraCea. The automatic option grant program under the 2005 Plan (the Director Program) provides for the grant of an option to purchase 35,000 shares of common stock to non-employee directors on the date of each annual shareholder meeting after the director is elected or reelected to our board of directors. These option grants generally vest and become exercisable monthly as to 1/12th of the shares underlying the options until they are fully vested on the first anniversary of the grant date. The exercise price for Options granted under the Director Program is the fair market value of the common stock on the Grant Date, and the Options generally expire 10 years from the Grant Date (the Expiration Date). The Options cease to vest if the optionee ceases to be a member of the Board (the Termination Date). If the optionee ceases to be a member of the Board for any reason, then each Option that has not expired or been exercised and has vested on the Termination Date may be exercised by the optionee within 90 days after the Termination Date (or such shorter or longer period as specified in the Option Agreement), but in no event later than the Expiration Date. All of the current non-employee directors of NutraCea would be eligible to receive options under the 2005 Plan. Non-employee directors of NutraCea have an interest in the approval of this proposal by virtue of their eligibility to receive Options under the Director Program.

Corporate Transactions. The 2005 Plan provides that if NutraCea is merged into or consolidated with another corporation under circumstances where NutraCea is not the surviving corporation, is liquidated or dissolved, is the surviving corporation of a merger after which the shareholders of NutraCea cease to own their shares or other equity interests in NutraCea, sells or otherwise disposes of substantially all its assets to another corporation, or completes any other transaction which qualifies as a corporate transaction under Section 424(a) of the Code wherein the shareholders of NutraCea give up all of their equity interest in NutraCea, the successor corporation may assume, convert or replace any outstanding Awards. In the alternative, the successor corporation may substitute any outstanding Awards with substantially equivalent Awards or provide substantially similar consideration to Participants as was provided to shareholders, after taking into consideration the existing provisions of the Awards. The successor corporation may also issue, in place of outstanding Awards of NutraCea held by a Participant, substantially similar Awards or other property subject to repurchase restrictions no less favorable to the Participant. If the successor corporation refuses to assume or substitute outstanding options, such options will expire on such transaction at such time and on such conditions as the NutraCea board of directors determines. Options granted under the Director Program will automatically vest and become exercisable in full in connection with a corporate transaction described above and the optionee will have 12 months after the Termination Date within which to exercise the option, as described above.

Payment of Exercise Price. Except as described below, payment in full, in cash, generally must be made for all stock purchased at the time a written notice of exercise is given to NutraCea. Proceeds of any such payment will constitute general funds of NutraCea. The exercise price of options granted under the NutraCea 2005 Plan may be paid as approved by the Administrator at the time of grant: (a) in cash (by check); (b) by cancellation of indebtedness of NutraCea to the Participant; (c) by surrender of shares of common stock owned by the Participant for at least six months and having a fair market value on the date of surrender equal to the aggregate exercise price of the option; (d) by waiver of compensation due to or accrued by the Participant for services rendered; (e) by a same-day sale commitment from the Participant and a National Association of Securities Dealers, Inc. (NASD) broker; (f) by a margin commitment from the Participant and a NASD broker; or (g) by any combination of the foregoing.

Termination of Employment. Any Award or portion thereof that has not vested on or before the date on which a Participant ceases, for any reason, with or without cause, to be an employee or director of, or a consultant to, NutraCea or an Affiliate (Employment Termination), expires upon the date of Employment Termination. An Award or portion thereof that has vested as of the date of Employment Termination, to the extent the Award has not then

expired or been exercised, is exercisable for a period of 30 days after the date of Employment Termination or such longer time period not exceeding five years as the Administrator may determine. If, however, Employment Termination is due to the disability or death of the Participant, then the Participant or the Participant's representative

may, within 12 months after the date of Employment Termination or such shorter or longer time period not exceeding five years as the Administrator may determine, exercise such Award rights to the extent they were exercisable on the date of Employment Termination.

Restricted Stock and Bonus Stock. Participants awarded restricted stock must, within certain time periods specified in the 2005 Plan, pay to NutraCea, if required by applicable law, an amount equal to the par value of the Stock subject to the Award. Subject to the provisions of the 2005 Plan and the Award Agreement, during a period set by the Administrator, commencing with, and not exceeding 10 years from, the date of such Award (the Restriction Period), the Participant may not sell, assign, transfer, pledge or otherwise encumber shares of restricted stock. Within these limits, the Administrator may in its discretion provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions, in whole or in part, based on service, performance or such other factors or criteria as the Administrator may determine. Except to the extent otherwise provided in the Award Agreement, upon a Participant's Employment Termination during the Restriction Period, all shares still subject to restriction will be forfeited by the Participant. The 2005 Plan also allows the Administrator to make Awards of Bonus Stock to a Participant.

Amendment, Suspension or Termination of the 2005 Plan. The Board may at any time amend, alter, suspend or discontinue the 2005 Plan without shareholder approval, except as required by applicable law; provided, however, that no amendment, alteration, suspension or discontinuation shall be made that would impair the rights of any Participant under any Award previously granted, without the Participant's consent, except to conform the 2005 Plan and Awards granted under the 2005 Plan to the requirements of federal or other tax laws.

ERISA, Internal Revenue Code. The 2005 Plan is not subject to the ERISA and is not qualified under Section 401(a) of the Code.

Summary of Federal Income Tax Consequences

The following description of federal income tax consequences associated with participation in the 2005 Plan is based on current provisions of the Code and administrative and judicial interpretations thereof. It does not describe applicable state, local, or foreign tax considerations, nor does it discuss any estate or gift tax considerations. The applicable rules are complex and may vary depending upon a Participant's individual circumstances. The following description is thus necessarily general and does not address all of the potential federal and other income tax consequences to every Participant of the 2005 Plan or in connection with transactions thereunder.

Incentive Stock Options

A Participant will not have taxable income upon the grant or exercise of an ISO. However, upon exercise, the amount by which the fair market value of the common stock acquired upon exercise of the Option (Option Shares) exceeds the exercise price of the shares acquired (the Option Spread) is included on the Participant's alternative minimum taxable income in determining the Participant's liability for the alternative minimum tax. Alternative minimum tax is imposed to the extent it exceeds a Participant's regular tax liability. The Option Spread generally is measured for this purpose on the day the Option is exercised; however, if both (i) the Option Shares are subject to a substantial risk of forfeiture (including a right of repurchase in favor of NutraCea) and (ii) the Participant does not make an election under Section 83(b) of the Code with respect to such shares within 30 days after the purchase date (a Section 83(b) Election), then the Option Spread should be measured, and should be included in alternative minimum taxable income, on the date the risk of forfeiture lapses. NutraCea receives no income tax deduction upon grant or exercise of an ISO but is entitled to a deduction equal to the ordinary income taxable to the Participant upon a Disqualifying Disposition.

In general, an ISO must be exercised within 90 days of Employment Termination to retain the federal income tax treatment described above. This 90-day period does not apply in the case of a Participant who dies while owning an Option. In the case of a Participant who is permanently and totally disabled, as defined in the Code, this 90-day period

is extended to 12 months. The 2005 Plan allows NutraCea to extend the period during which a Participant may exercise the Option. In all events, if an Option is exercised more than three months after Employment Termination, it will, except in the cases of a permanently and totally disabled or deceased Participant, not qualify as an ISO.

A Participant generally will be entitled to long-term capital gain treatment upon sale (other than to NutraCea) or other disposition of Option Shares held longer than two years from the grant date and one year from the date the

Participant receives the shares. If the Option Shares are sold or disposed of (including by gift, but not including certain tax-free exchanges) before both of these holding periods have expired (a Disqualifying Disposition), the Option Spread (but generally not more than the amount of gain if the Disqualifying Disposition is a sale) is taxable as ordinary income. For this purpose, the Option Spread is measured at the Exercise Date unless the Option Shares were subject to a substantial risk of forfeiture upon purchase and the Participant did not file a Section 83(b) Election, in which event the Option Spread is measured at the date the restriction lapsed. If gain on a Disqualifying Disposition exceeds the amount treated as ordinary income, the excess is capital gain, which will be characterized as long term or short term, depending on the holding period. The holding period for Option Shares commences with the Option exercise date unless the shares are subject to a substantial risk of forfeiture and no Section 83(b) Election is filed, in which event the holding period commences with the date the risk lapsed. A sale of common stock to NutraCea, including use of common stock to pay withholding or withheld by NutraCea upon exercise of an ISO, will constitute a redemption of such common stock and may be taxable as a dividend unless certain tests in the Code are met.

Non-Qualified Stock Options

A Participant does not have taxable income upon the grant of a NQO, provided that the exercise price is at least equal to the fair market value of the common stock on the grant date. Federal income tax consequences upon exercise will depend upon whether the Option Shares thereby acquired are subject to a substantial risk of forfeiture, described above. If the Option Shares are not subject to a substantial risk of forfeiture (or if they are subject to such a risk and the Participant files a Section 83(b) Election with respect to the shares), the Participant will have ordinary income at the time of exercise measured by the Option Spread on the exercise date. The Participant's tax basis in the Option Shares will be their fair market value on the date of exercise, and the holding period for purposes of determining capital gain or loss also will begin with the day after transfer. If the Option Shares are restricted and no Section 83(b) Election is filed, the Participant will not be taxable upon exercise, but instead will have ordinary income on the date the restrictions lapse, in an amount equal to the Option Spread on the date of lapse. In such a case, the Participant's holding period will also begin with the date of lapse.

Upon sale other than to NutraCea of Option Shares acquired under an NQO, a Participant generally will recognize capital gain or loss to the extent of the difference between the sale price and the Participant's tax basis in the shares, which will be long term or short term depending on the holding period. A sale of shares to NutraCea will constitute a redemption of such shares, which may be taxable as a dividend.

If the exercise price of an NQO is less than the fair market value of the Option Shares on the date of grant, the Participant recognizes ordinary income as the option vests in an amount equal to the excess of (i) the fair market value of the Option Shares on the vesting date, over (ii) the exercise price. In addition, Section 409A of the Code also imposes a 20% excise tax and an interest penalty on the amount of such income.

Restricted Stock and Bonus Stock

Restricted stock awards and stock bonuses granted under the 2005 Plan generally have the following federal income tax consequences.

Upon acquisition of the stock, the recipient normally will recognize taxable ordinary income equal to the excess, if any, of the stock's fair market value on the acquisition date over the purchase price. However, to the extent the stock is subject to certain types of vesting restrictions, the taxable event will be delayed until the vesting restrictions lapse unless the recipient elects under Section 83(b) of the Code to be taxed on receipt of the stock. With respect to employees, NutraCea is generally required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, NutraCea will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the recipient.

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Upon disposition of the stock, the recipient will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock plus any amount recognized as ordinary income upon acquisition (or vesting) of the stock. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year. Slightly different rules may apply to recipients who acquire stock subject to certain repurchase options or who are subject to Section 16(b) of the Exchange Act.

New Plan Benefits

The grant of Options or other Awards under the 2005 Plan to executive officers, including the officers named in the Summary Compensation Table, is subject to the discretion of the Administrator. As of the date of this Proxy Statement, there has been no determination by the Administrator with respect to future Awards under the 2005 Plan. Accordingly, future Awards are not determinable. The table of option grants under Executive Compensation provides information with respect to the grant of options to the Named Officers during 2006. Assuming the approval of the 2005 Plan at the Annual Meeting, options to purchase 35,000 shares of common stock will be awarded to each outside directors under the 2005 Plan other than Wesley Clark. Mr. Clark received an option to purchase 35,000 shares of common stock on May 1, 2007 when he agreed to become a member of our board of directors, effective June 1, 2007. Accordingly, he will not receive a separate grant this year under the 2005 Plan.

Recommendation of the Board of Directors

THE BOARD RECOMMENDS A VOTE FOR THE PROPOSAL TO AMEND NUTRACEA S 2005 EQUITY INCENTIVE PLAN.

PROPOSAL THREE

AMENDMENT OF ARTICLES OF INCORPORATION

Our board of directors has determined that it is in the best interests of NutraCea and our shareholders to amend our articles of incorporation to increase the number of authorized shares of our common stock from 200,000,000 to 350,000,000 shares, an increase of 150,000,000 shares.

The proposed form of amendment to our articles of incorporation to effect this increase in the authorized number of shares of NutraCea common stock is attached to this Proxy Statement as Annex E.

Below is a summary of the principal reasons why NutraCea's board of directors is recommending that NutraCea shareholders approve the proposed amendment of NutraCea's Articles of Incorporation.

Increase in Authorized Common Shares

NutraCea currently has 200,000,000 authorized shares of common stock and is now asking our shareholders to approve the amendment of its articles of incorporation to increase the number of its authorized shares of common stock to 350,000,000 shares, an increase of 150,000,000 shares. As of April 23, 2007, 196,177,537 of the 200,000,000 authorized shares of common stock had been issued or reserved for issuance as follows:

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135,625,849 shares were issued and outstanding; and

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60,551,688 shares were reserved for issuance upon exercise of outstanding stock options and warrants and for future grants under our 2005 Equity Incentive Plan.

Therefore, after deducting the outstanding and reserved shares of common stock described above, there were approximately 3,822,463 million shares of NutraCea common stock remaining unissued and reserved for issuance as of April 23, 2007.

If the proposed amendment of our articles of incorporation is approved, the additional 150,000,000 shares of common stock that would be authorized would be available for issuance without further shareholder action, unless such action is otherwise required by California law or any stock exchange on which our common stock may then be listed or quoted. Such shares could be issued directly by NutraCea, or could be reserved for issuance and then issued pursuant to the exercise of warrants or options, or conversion of preferred stock, that could be granted or issued by NutraCea in the future. The additional authorized shares would be part of the existing class of our common stock and would not affect the terms of the outstanding NutraCea common stock or the rights of the holders of common stock. Current shareholders will not have automatic rights to purchase any of the additional authorized shares. Any future issuance of additional authorized shares of our common stock will decrease the existing shareholders' percentage equity ownership in NutraCea.

Our board of directors believes that an increase of 150,000,000 authorized common shares will give NutraCea greater flexibility for possible future financings, joint ventures and/or mergers and acquisitions of the businesses or assets of other companies. Without such increase, it is possible that we would need to obtain shareholder approval in connection with a transaction when it would not otherwise be obligated to, thereby delaying, perhaps substantially, or even causing the loss of, the transaction. Although we do not have any current plans, proposals or arrangements, written or otherwise, to engage in any such transaction, we continue to actively explore various business opportunities.

Recommendation of the NutraCea Board of Directors

THE BOARD RECOMMENDS A VOTE FOR THE PROPOSAL TO AMEND NUTRACEA S ARTICLES OF INCORPORATION.

PROPOSAL FOUR

AMENDMENT OF BYLAWS

Our board of directors has determined that it is in the best interests of NutraCea and its shareholders to amend NutraCea's Bylaws to eliminate cumulative voting in the election of director if NutraCea becomes a listed corporation under California corporation law.

On April 18, 2007, our board of directors adopted, subject to shareholder approval, an amendment to our bylaws to eliminate cumulative voting at such time as we become a listed corporation. The proposed form of amendment to NutraCea's Bylaws attached to this Proxy Statement as Annex F.

Under California General Corporations law, a corporation that is not a listed corporation is required to allow for cumulative voting in the election of directors. Under cumulative voting, each shareholder is entitled to as many votes as is equal to the number of votes which such shareholder would be entitled to cast for the election of directors with respect to such shareholder's shares of stock multiplied by the number of directors to be elected. A shareholder may cast all such votes for a single candidate or may distribute them among as many candidates as such shareholder chooses.

A listed corporation is defined under the California General Corporations law as a corporation with outstanding shares listed on certain exchanges and markets such as the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market and the NASDAQ Global Select Market. However, a company is not a listed corporation if the company's shares are trading on the OTC Bulletin Board, which is where NutraCea's common stock currently trades.

The Board of Directors believes that each director should be elected only if he or she receives the support of at least a plurality of shareholders and that each director should represent the interests of, and be accountable to, all shareholders, rather than the interests of a minority shareholder or a particular shareholder constituency. With cumulative voting, however, it is possible for shareholders holding a minority of our shares, whose interest and goals may not be consistent with those of a majority of shareholders, to obtain representation on our board of directors. The Board believes that a director who represents a particular shareholder constituency may feel obligated to pursue the agenda of that constituency to the detriment of the overall interests and goals of all shareholders. In the Board's opinion, this type of representation increases the likelihood of factionalism and discord within the Board, thereby impairing the efficient management of NutraCea. With cumulative voting eliminated, a nominee can be elected only with relatively wide shareholder support. The Board believes that a system of electing directors whereby only those directors are elected who receive broad support from the shareholders as a whole will best ensure that the Board will act for the benefit of all shareholders. Accordingly, the Board believes that it is in the best interests of NutraCea and all of its shareholders to eliminate cumulative voting.

NutraCea currently is not a listed corporation. Even if the shareholders approve the amendment to our bylaws, cumulative voting will still apply to the election of director until we are a listed corporation. We do not know when or if NutraCea will ever become a listed corporation.

Recommendation of the NutraCea Board of Directors

THE BOARD RECOMMENDS A VOTE FOR THE PROPOSAL TO AMEND NUTRACEA'S BYLAWS.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

General

Our compensation arrangements with all but one person who served as our executive officers for all or part of 2006 reflect the individual circumstances surrounding the applicable executive officer's hiring or appointment. For example, Todd C. Crow and Ike E. Lynch, who became our executive officers at the time we acquired The RiceX Company, or RiceX, in October 2005, were parties to employment agreements with RiceX at the time of the acquisition. We assumed these employment contracts in connection with the acquisition. Similarly, our current compensation arrangements for Bradley D. Edson and Margie D. Adelman are based upon objective formula contained in employment agreements that we entered into with them in December 2004 and January 2005, respectively. We did not have a compensation committee when we entered into employment agreements with any of our named executive officers. Each of their compensation arrangements were approved by our board of directors.

The foregoing information is intended to provide context for the discussion that follows regarding our existing compensation arrangements with those persons who served as our executive officers for all or part of 2006.

Principal Components of Compensation of Our Executive Officers

The principal components of the compensation we have historically paid to our executive officers have consisted of:

- base salary;
- signing bonuses, paid in cash;
- cash incentive compensation under the terms of individual senior management incentive compensation plans established for our executive officers; and
- equity compensation, generally in the form of grants of stock options.

Allocation of Compensation Among Principal Components

The compensation committee of our board of directors has not yet established any policies or guidelines with respect to the mix of base salary, bonus, cash incentive compensation and equity awards to be paid or awarded to our executive officers. In general, the compensation committee believes that a greater percentage of the compensation of the most senior members of our management should be performance-based. In 2007, the compensation committee of our board of directors anticipates adopting more formal and structured compensation policies and programs. The compensation committee will endeavor to implement policies designed to attract, retain and motivate individuals with the skills and experience necessary for us to achieve our business objectives. These policies will also serve to link pay with measurable performance, which, in turn, should help to align the interests of our executive officers with our shareholders. In the past, our board of directors has not used industry benchmarks nor hired compensation consultants

when determining the compensation to be paid to executive officers.

Base Salary

Our Chief Executive Officer

We hired Bradley D. Edson as our president in December 2004, and he became our chief executive officer in October 2005 concurrently with our acquisition of RiceX. Mr. Edson's employment agreement with us provides for an initial base salary of \$50,000 per year in year one, \$150,000 in year two and \$250,000 in year three, with base salary thereafter being subject to an annual increase of 10% each year that Mr. Edson is employed with us. When structuring Mr. Edson's salary, our board considered the salary of our then chief executive officer, the amount of equity compensation that Mr. Edson required, the value that Mr. Edson could bring to NutraCea and our low cash position at the time. Based upon these criteria, the Board determined that providing Mr. Edson with base salary that started low and that grew substantially over time would allow NutraCea to preserve its available cash while ultimately providing Mr. Edson with the cash compensation appropriate for his position.

Our Chief Financial Officer

We hired Todd C. Crow as our chief financial officer in October 2005 concurrent with our acquisition of RiceX. Mr. Crow had served as the chief financial officer of RiceX and we assumed his employment contract with RiceX. Our employment agreement with Mr. Crow provides for an initial annual salary of \$150,000 with annual inflation adjustments. On January 1, 2006, his salary was increased to \$155,600 to reflect the inflation adjustment.

Our Chief Operating Officer

We hired Ike E. Lynch as our chief operating officer in October 2005 concurrent with our acquisition of RiceX. Mr. Lynch had served as the chief operating officer of RiceX and we assumed his employment contract with RiceX. Our employment agreement with Mr. Lynch provides for an initial annual salary of \$150,000 with annual cost of living adjustments. On January 1, 2006, his salary was increased to \$155,600 to reflect the inflation adjustment. Mr. Lynch resigned as our Chief Operating Officer on April 11, 2007.

Our Secretary and Senior Vice President

We hired Margie D. Adelman as our senior vice president in January 2005. Our employment agreement with Ms. Adelman provides for an initial annual salary of \$150,000 and requires that we re-evaluate her annual salary each year. On January 1, 2006, her salary was \$155,600, which reflected an increase in salary to reflect inflation.

Our Senior Vice President of Sales

We hired Kody K. Newland in February 2006 to serve as our senior vice president of sales. Our employment agreement with Mr. Newland provides for an initial annual salary of \$150,000 with annual cost of living adjustments. When determining Mr. Newland's compensation, our board of directors considered the compensation that our other executive officers were receiving and the experience of Mr. Newland.

Bonus Compensation

We have not historically paid any automatic or guaranteed bonuses to our executive officers. However, we have from time to time paid signing or retention bonuses in connection with our initial hiring or appointment of an executive officer. For example, in 2005, Ms. Adelman received a \$25,000 signing bonus upon her appointment as senior vice president. No other named executive officer has received a bonus.

Compensation under Individual Senior Management Incentive Compensation Plans

We entered into an employee incentive compensation plan with Bradley D. Edson when Mr. Edson executed his employment agreement with us. Under the plan, Mr. Edson is entitled to an annual incentive bonus based upon objective performance criteria of NutraCea during a fiscal year. The annual bonus is equal to one percent of our gross sales over \$25,000,000 in a year, but only if we report a positive EBITDA (earnings before interest, taxes, depreciation and amortization) for the year, disregarding the effect of non-cash charges. The bonus amount is limited to a maximum of \$750,000 in any calendar year. Mr. Edson has not earned a bonus under the incentive compensation plan because we have not had gross sales of \$25,000,000 in any year. Given his low initial base salary, Mr. Edson required that we provide him with incentive compensation plan as a condition to his accepting employment with us. Also, since low sales were a primary impediment to our success at the time, our board determined that paying compensation to Mr. Edson that was tied to our revenues would align NutraCea's and Mr. Edson's goals.

Equity Compensation

Our board of directors' historical practice has been to grant equity-based awards to attract, retain, motivate and reward our employees, particularly our executive officers, and to encourage their ownership of an equity interest in us. Through April 19, 2007, such grants have consisted primarily of stock options—specifically non-qualified stock options, that is, options that do not qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended.

Historically, our board has granted awards of stock options to our executive officers upon their appointment as executive officers, with our obligation to grant the options typically memorialized in the offer letter or employment

agreement, or an addendum to an employment agreement, entered into with the applicable executive officer. In 2004, 2005 and 2006, each of Mr. Edson, Ms. Adelman and Mr. Newland received stock option grants under these circumstances. Mr. Edson's stock option was fully vested when granted. Ms. Adelman's stock option vested as to 25% of the shares when she was hired, vested as to 25% of the shares on the one year anniversary of her hire date and the remaining 50% of the shares will vest only if we have gross sales over \$25,000,000 in a year, but only if we report a positive EBITDA (earnings before interest, taxes, depreciation and amortization) for the year, disregarding the effect of non-cash charges. Mr. Newland's option was vested as to 20% of the underlying shares when granted and the remaining unvested shares will vest over two years.

We did not grant new stock options to either of Mr. Crow or Mr. Lynch when they became our executive officers. However, pursuant to the terms of the RiceX acquisition we assumed all outstanding RiceX stock options, including the stock options held by Mr. Crow and Mr. Lynch.

Each of our executive officers are eligible to receive stock option grants under our 2005 Equity Incentive Plan, or the 2005 Plan. However, none of our executive officers have been granted stock options other than in connection with their initial employment with us. In 2006, our compensation committee determined that stock option grants to our executive officers, other than the initial employment grant made to Mr. Newland, was not warranted based upon their current stock option holdings.

All equity-based awards have been reflected in our consolidated financial statements, based upon the applicable accounting guidance. Previously, we accounted for equity compensation paid to our employees under SFAS No. 123 and compensation was recorded for option grants based on the excess of the estimated fair value of the common stock on the vesting date over the exercise price. Effective January 1, 2006, we adopted FAS 123R using the modified prospective transition method. Under this method, stock-based compensation expense is recognized using the fair-value based method for all awards granted on or after the date of adoption of FAS 123R. FAS 123R requires us to estimate and record an expense over the service period of the stock-based award. In 2006, our compensation committee, conscious of the less favorable accounting treatment for stock options resulting from adoption of FAS 123R, took a more deliberate approach to the granting of awards of stock options.

We currently intend that all cash compensation paid to our executive officers will be tax deductible for us. However, with respect to equity-based awards, while any gain recognized by our executive officers and other employees from non-qualified stock options generally should be deductible, subject to limitations imposed under Section 162(m) of the Internal Revenue Code, to the extent that in the future we grant incentive stock options, any gain recognized by the optionee related to such options will not be deductible by us if there is no disqualifying disposition by the optionee.

We may not be able to deduct a portion of the equity compensation earned by our executive officers. Section 162(m) of the Internal Revenue Code generally prohibits us from deducting the compensation of an executive officer that exceeds \$1,000,000 in a year unless that compensation is based on the satisfaction of objective performance goals. None of the stock options held by our executive officers qualify as performance based compensation under Section 162(m). Accordingly, if any of our executive officers recognizes income in excess of \$1,000,000, including amounts includible in income from the exercise of stock options currently outstanding, this excess will not be tax deductible by us. Our 2005 Equity Incentive Plan is structured to permit awards to qualify as performance-based compensation and to maximize the tax deductibility of such awards. We may make future awards of stock options to our executive officers under our 2005 Equity Incentive Plan. However, we reserve the discretion to pay compensation to our executive officers that may not be deductible.

We do not have any program, plan or practice that requires us to grant equity-based awards on specified dates. Authority to make equity-based awards to executive officers rests with our compensation committee, which considers the recommendations of our chief executive officer and other executive officers. If we become listed on a national securities exchange like NASDAQ in the future, we will be subject to NASDAQ listing standards that, in general, require shareholder approval of equity-based plans.

Severance and Change of Control Payments

Our board of directors believes that companies should provide reasonable severance benefits to employees, recognizing that it may be difficult for them to find comparable employment within a short period of time. Our board also believes it prudent that we should disentangle ourselves from employees whose employment terminates as soon as practicable.

Our employment agreement with Mr. Edson contains termination provisions that are more complex than that in place for our other executive officers. The compensation due Mr. Edson in the event of the termination of his employment agreement varies depending on the nature of the termination and, depending on the type and timing of the termination, provides for substantial compensation payments to Mr. Edson. For additional information regarding the termination and change in control provisions of Mr. Edson's employment agreement, see Potential Payments Upon Termination or Change in Control. We believe that the termination and change in control provisions of Mr. Edson's employment agreement are comparable to those in effect for chief executive officers of companies comparable to us, in terms of size, revenue, profitability and/or nature of business.

Other Benefits

We believe establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. Executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, vision, group life insurance and our 401(k) plan, in each case on the same basis as other employees. We provide a matching contribution under our 401(k) plan, but we do not offer retirement benefits.

Perquisites

Each of our executive officers receive similar perquisites. Under the terms of the employment agreements with our executive officers, we are obligated to reimburse each executive officer for all reasonable travel, entertainment and other expenses incurred by them in connection with the performance of his duties and obligations under the agreement. The most significant perquisite that our executive officers receive is an automobile allowance and other automobile expenses, including insurance costs.

Board Process

On at least an annual basis, the compensation committee of our board of directors approves all compensation and awards to our chief executive officer, our president and our chief financial officer. With respect to equity compensation awarded to other employees, the compensation committee grants stock options, generally based on the recommendation of our chief executive officer. In addition, our compensation committee or board of directors may from time to time authorize our Chief Executive Officer to make stock option grants to non-executive employees.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee for the 2006 fiscal year were David S. Bensol, James C. Lintzenich and Kenneth L. Shropshire. All members of the Compensation Committee during 2006 were independent directors, and none of them were our employees or former employees. During 2006, none of our executive officers served on the compensation committee (or equivalent), or the board of directors, of another entity whose executive officer(s) served on our Compensation Committee or Board of Directors.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in NutraCea's proxy statement for the 2007 annual meeting of shareholders.

Respectfully Submitted by the Compensation Committee

David S. Bensol
James C. Lintzenich

Kenneth L. Shropshire

Summary Compensation Table

The following table sets forth information regarding compensation earned in or with respect to our fiscal year 2006 by:

- each person who served as our chief executive officer in 2006;
- each person who served as our chief financial officer in 2006; and
- our three most highly compensated executive officers, other than our chief executive officer and our chief financial officer, who were serving as executive officers at the end of 2006 and, at that time, were our only other executive officers.

We refer to these officers collectively as our named executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
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